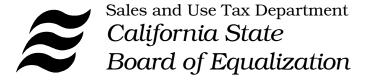


Audit Manual

Chapter 3

Audit Working Papers



AUDIT WORKING PAPERS

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AUDIT WORKING PAPERS

0300.00

INTRODUCTION 0301.00

SCOPE OF CHAPTER 0301.05

It is impractical to make rigid rules covering the arrangement and content of all working papers. Each audit or examination has problems peculiar to it alone, and each auditor has their own ideas as to what constitutes essential information and how it should be presented. Inflexibility in procedures and working papers tends to discourage initiative, whereas the aim of the Board is to encourage this type of quality in tax auditors. There are, however, certain features of working papers that can and should be standardized, such as size and type of paper, indexing, cross-referencing, binding and general arrangement of data. This chapter addresses those features, together with complete specimen sets of working papers and representative samples of various types of summary and subsidiary schedules.

AUDIT WORKING PAPERS DEFINED AND DESCRIBED

0301.10

The term "audit working papers", as used in this chapter, means the worksheets compiled by the auditor in the course of making a field audit, revised audit, reaudit, field billing order, or adjusted field billing order, together with other pertinent material. "Other pertinent material" may include letters, faxes, memoranda compiled by the taxpayer, photocopies of letters, reproduced copies of pertinent schedules, information from prior audit working papers, etc.

GENERAL GUIDELINES FOR WORKING PAPERS

0301.15

Working papers serve as the connecting link between the auditor's fieldwork and the audit report. As such, working papers should contain the evidence accumulated in support of the conclusions and recommendations included in the audit report.

General guidelines for the preparation of working papers include:

- a) **Completeness and accuracy** Working papers should be complete and accurate in order to provide proper support for findings, conclusions, and recommendations. Working papers also document the nature and scope of the examination performed. The test of completeness is whether a third party can review the schedule, understand its purpose, and make use of it, without consulting with the auditor who prepared it. Working papers will be examined by the auditor's supervisor, and by the reviewing auditors, and may be used by hearing officers, attorneys, Board members, or as evidence in courts of law. They are the basis for recommended determinations and usually serve as a measure of an auditor 's experience and judgment.
- b) **Clarity and understandability** Working papers should be clear and understandable without supplementary oral explanations. The information they reveal should be clear, complete, and concise. Anyone using the working papers should be able to readily determine their purpose, the nature and scope of the work done, and the auditor's conclusions. Conciseness is important, but clarity and completeness should not be sacrificed just to save time or paper.

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GENERAL GUIDELINES FOR WORKING PAPERS

(CONT.) 0301.15

- c) <u>Legibility and neatness</u> Working papers should be legible and as neat as practicable. Sloppy working papers may lose their worth as evidence. Crowding and writing between lines should be avoided by anticipating space needs and arranging the working papers before writing. Some simple guides to follow in this respect are:
 - Use careful handwriting.
 - Use of captions to separate subjects.
 - Confine the length of comments on fifteen-column worksheets to approximately six columns.
 - Separate subject matter properly.
 - Use computer generated working papers to ensure that working papers are legible and neat. (See Section 0302.07 and 0302.08.)
- d) <u>Pertinence</u> The information contained in working papers should be restricted to matters that are material, pertinent, and useful with reference to the audit assignment. The auditor should not copy figures from the taxpayer's books without good reason, but should consider the audit procedure and method of verification so that only necessary data will be recorded.

WORKING PAPER TECHNIQUES

0302.00

HAND WRITTEN WORKING PAPERS

0302.05

Although infrequent, hand written schedules prepared by the auditor will be written on paper furnished by the Board. Only one side of the paper will be used.

Schedules will be prepared by using a black, medium-hard grade, approximately No. $2\frac{1}{2}$ pencil. The use of red pencil is permitted for special purposes such as cross and source referencing. Blue pencil will be restricted to the use of the Centralized Review Section.

COMPUTER GENERATED WORKING PAPERS

0302.07

Computer generated schedules can be prepared by using 8" x 11, 8 $\frac{1}{2}$ " x 14, 14" x 11" or 11" x 17" paper. If available, 11" x 17" paper may be used instead of using 8 $\frac{1}{2}$ " x 14" paper which is inserted sideways in the audit. Only one side of the paper will be used. Schedules on 8 $\frac{1}{2}$ " x 11" paper should not be printed in "landscape" format.

Audit working papers that are prepared by using a personal or state provided computer must conform to the working paper standards set forth in this chapter. These schedules must include the same information, comments, and referencing required for audit working papers in general.

There are four main areas that should be included on all computer-generated schedules and templates. They include:

- 1) Schedule number, page number, account number, auditor name and date in the upper right hand corner.
- 2) Column references: "A" thru— "H" at the top of each regular template (if more space is needed may be less than "H"), "A"— "P" for the exempt sales template, and "A"— "S" for the paid bills template. Additional columns may be added as necessary.
- 3) Line numbers down the left-hand side of the schedule body.
- 4) A general referencing line (above the column headings) and a general reference column (left hand column).

STANDARDIZED AUDIT SCHEDULES

0302.08

The following standards should be followed when audit schedules are prepared either in Excel or Access and should be followed, where appropriate, when audit schedules are hand written.

- **1) Font**. The font used will be either <u>Arial</u>, <u>Times Roman</u>, <u>or Courier New</u>. The entire audit should be prepared using the same font. Minimum font size is 10.
- **2) Scaling**. Print Scaling can be done for subsidiary and lead schedules. **Print Scaling will not be less than 70% (68% for Exempt Sales Test)** of the original size of the document.
- **3) Schedule Orientation.** Lead schedules should be printed in portrait form whenever possible. Subsidiary schedules can be prepared in either portrait or landscape form. When subsidiary schedules are prepared in landscape form, the schedule heading will be oriented to the right in the audit report. The schedule (on legal-size paper) will be hole punched in the lower left corner to ensure the proper orientation.

(CONT. 1) 0302.08

- 4) Database Schedules. Database schedules (i.e. schedules detailing tests of sales and purchases) can be printed with grid lines. Database schedules must be printed with bottom borderlines. All schedules must contain line numbers. Line numbers should not start with "1" on each successive page of the same schedule. In this manner, every line number will identify each scheduled item on which page it is located (e.g., page 1 numbered 1 thru 30, page 2 numbered 31 thru 60, page 3 numbered 61 thru 90, etc.).
- **5) Paper Size**. Lead schedules will be prepared on <u>Letter Size (8 ½" x 11") or Tabloid Size paper (11" x 17")</u>. Legal Size (8 ½" x 14") paper is acceptable for lead schedules if they are computer generated schedules (since field printers use this size paper). Subsidiary schedules can be printed on the paper sizes mentioned in previous section (e.g., letter size, tabloid size, legal size, etc.)
- **6) Schedule Titles**. All schedules should have titles that accurately describe the contents of the audit working paper.
- 7) **Top Right Corner**. All schedules will have a schedule number, page number, account number, auditor name and date in the upper right hand corner. Hand written schedules using 15-column paper should have the same information mentioned above in the upper right hand corner of the left half of each sheet.
- 8) Page Totals. Page totals are always required for all schedules. Page totals will either appear at the bottom of each page or, in the case of computer generated schedules, may be placed on a separate page via a pivot table. (A pivot table is a special kind of table that summarizes information from particular fields of a list or database.) A grand total is always required for all schedules. Grand totals should match the summary by page total and the summary by quarter (or period) total.
- **9) Schedule Footer**. Schedules generated via Excel should include a footer indicating and appearing as follows:

"Copy	to	Taxpayer'
"Date:		**

Schedules will be prepared with the following information, when applicable. Pertinent information for "Test of Claimed Exempt Sales" and "Purchases Subject to Use Tax" is listed below and illustrated in Exhibits 2 and 5.

(CONT. 2) 0302.08

Column	Test of Claimed Exempt Sales	Column	Purchases Subject to Use Tax
Α	Invoice Date	Α	Invoice Date
В	Invoice Number (and/or	В	Invoice Number (Ref Number)
	Ref Number)	C	Vendor
C	Customer Name	D	Street
D	Street	E	City, State, Zip
\mathbf{E}	City, State, Zip	F	Ship from point (State
F	Ship to		designator)
G	PO Number	G	Ship to
Н	PO Status	Н	PO Number
I	Item (& quantity)	I	PO Status
J	Amount Questioned	J	Resale Cert. Issued (Y/N)
K	Amount Taxable	K	Item (quantity)
L	District Measure	L	Amount Questioned
M	District Code	M	Amount Taxable
N	Comments (e.g., Resale	N	District Measure
	Card on File)	O	District Code
O	XYZ Sent	P	Comments — Account posted
P	1164 Sent		to (include chart of
			accounts if only account
			number is used)
		<u>Q</u>	ABC Sent
		R	1032 Sent
		S	1164 Sent

If additional information is required, specific columns and appropriate headings can be added to the appropriate part of the schedule. This may cause the schedule to exceed the allowable print space available on legal size paper and would therefore necessitate that these schedules be printed on tabloid size paper (11 inches by 17 inches). Also note that additional linking fields can be added to the database, however, they do not need to be printed, unless the information is pertinent to the audit.

SCHEDULE FOR EACH SUBJECT

0302.10

Every subdivision of the audit working papers is assigned an index number, which is used in arranging the schedules when the audit is completed. Each schedule supporting a different category of sales or deductions, or self-consumed merchandise, will be written up on a separate sheet. Unrelated data should not be put together on one schedule. This is true even though only a few lines may be required to record the desired information. The cost of preparing separate schedules is insignificant when compared with time wasted in looking for data buried in a schedule relating to some other subject. The only exception of combining data is when Form BOE–414–C, Report of Examination of Records, is used as a working paper schedule for two or more items verified as having been correctly reported although a deficiency or credit is recommended as to other items covered by an audit. Use of 8 ½ x 11" computer paper or seven-column paper for verification comments in lieu of a BOE–414–C is permissible only in those instances where there is insufficient space on the form.

DATA FURNISHED BY TAXPAYER

0302.15

Taxpayers should be encouraged to furnish data, which may be on their own paper or on disk. The taxpayer-provided schedule should be identified as "prepared by taxpayer." Such data should have proper headings inserted, be indexed, cross-referenced, and filed with the regular working papers. Unless unusual circumstances warrant, taxpayer-furnished material should not be manually copied but should either be incorporated directly into the audit working papers or photocopied.

If paper on which such data is placed is larger than our 17" x 11" worksheets, it will be folded. If considerably smaller, it will be affixed on an $8 \frac{1}{2}$ " x 11" worksheet.

CREDIT ITEMS 0302.20

Credit items, or items which are opposite in sign to other entries on a schedule, will be written with a minus (—) sign in front of the number. For hand written schedules, a minus sign (—) in black pencil in front of the number will be used. The common method of writing such items in red must not be used because red figures cannot be distinguished from black when photocopies are made. Decreases in taxable measure should be preceded by a minus sign (—) on all summary schedules.

SCHEDULE HEADINGS 0302.25

The name of the taxpayer should not appear on either subsidiary or summary schedules unless necessary for the identification of a non-permitized retailer. The title will be inserted on the second line of each schedule describing the type and source of information contained therein, such as Total Sales per General Ledger, Test of Sales for Resales, etc.

If the schedule refers to some definite period such as month, quarter, or year, this period will appear under the title of the schedule (third line) as shown in the following example:

Test of Sales for Resale per Invoices July, 19XX

All schedules will have a schedule number, page number, account number, auditor name, and date in the upper right hand corner.

COLUMN HEADINGS 0302.30

Space provided for column headings is small so headings must be short but descriptive. If it is not possible to write a sufficient description in the column space provided, an asterisk or other mark should be placed at the end of the description. A referring asterisk mark should be at the bottom of the schedule with a complete description given. Unless handwriting is small and legible, column headings will be printed. The reference line should indicate the source of data in that column, using <angle brackets> for data from other schedules e.g., <12A-1> and (parentheses) for arithmetic computations e.g., (A+B-C).

TOTALS 0302.35

Where a schedule lists two or more columns or classifications, vertical footings and cross-footings (horizontal) will be made and the grand totals balanced with each, as illustrated in the following example:

	_	Analysis of	f Sales		
		Α	В	С	D
		< Per S	Sales Jour	nal >	<a +="" b="" c="">
REF	Period	Taxable	Resale	Freight	Total
1	January, 19xx	500	400	100	1,000
2	February, 19xx	600	500	200	1,300
3	March, 19xx	700	500	300	2,300
4	1Q-xx	1,800	1,400	600	4,600
					< 414-A-1 >

Footings and cross-footings should not be made unless they are clearly of value in the audit. The total may be shown either on the right or left side, depending upon use to be made of the data and convenience in compiling. Hand written schedules using a single space form (every line filled) will skip a line before inserting the total. Hand written schedules using double spacing (every other line filled) will not skip a line before inserting a total. All schedules (hand written and computer generated) will underline the last line of data with a single black line, and the total will be underlined with a double black line. When a schedule is hand written and composed of two or more sheets which requires a grand total, a page total will be placed at the bottom of each sheet. A summary of page totals, computing the grand total, will be prepared in one of the following ways:

- a. If the hand written schedule consists of a few pages and sufficient space is available on the last sheet, page totals for the preceding pages may be entered under the page total for the last sheet, and a grand total computed.
- b. If the hand written schedule consists of a large number of pages, a separate sheet showing the summary of page totals should be prepared. This summary sheet should then appear as the first page of the schedule, followed by the pages containing supporting details.
- c. Computer generated schedules with multiple pages may place page totals on a separate page via a pivot table.

To maintain the integrity of the database, the data will be scheduled without skipping a line for computer generated schedules.

SUBTOTALS 0302.40

Hand written subsidiary schedules often are set up by months with subtotals every three months showing quarterly totals. To improve the appearance and legibility of subsidiary schedules, the first month of the first quarter should be entered on the second line below the space for column headings with quarterly totals shown on the first heavy line; the first month of the second quarter should be shown on the second line after the first heavy line, and so on. In this manner, quarterly totals will always be shown on the heavy lines.

Subtotals for other types of data should be set off by single lines whenever possible.

LAYOUT 0302.45

The auditor should set up the most efficient mechanical arrangement possible before the compilation of data is started. This avoids transcribing figures from taxpayer books before the correct arrangement of a schedule has been decided upon, with the result that the worksheet must be discarded when its defects have been disclosed. Time may be saved by setting up several proposed layouts with column headings on scratch paper, columns being numbered from 1 to 7, or from 1 to 15, and inserting some sample entries before deciding on a final layout.

If dates, or months and quarters, are to be shown in a left-hand column, sufficient columns should be provided for horizontal expansion; that is, there should be a column for each type of classification with blank columns for possible additional classifications not yet disclosed. When there are insufficient columns for the proper horizontal spread, the months should be placed across the top and the classifications shown on lines, with blank lines left in the proper places for vertical expansion. In many cases when the columns on one sheet are not sufficient, the schedule must be broken into two sheets. If there is sufficient space on a schedule, lines should be skipped between subsections and totals. This sets the information out and makes it easier to read. Where there are only a few entries on the sheet, every other line should be used for recording data. Again, to maintain the integrity of the database and to facilitate the use of a pivot table, no lines should be skipped when using a computer generated schedule. The spreadsheet can always be expanded to include additional columns and/or rows.

INDEXING — GENERAL

0302.50

A standard system of indexing working papers is desirable. Although there are many indexing plans, a system based on line numbers shown on tax returns has been adopted for indexing schedules of business tax audits.

INDEXING SUMMARY SCHEDULES

0302.55

Summary schedules will bear the line numbers appearing opposite the corresponding items on tax returns. The following summary schedule indexing systems will be used for sales and use audits:

Total Sales Basis Only (Exhibits 7 to 36):

Schedule 4. Sales for resale

Schedule 5. Food Products

Schedule 6. Nontaxable Labor Schedule 7. Sales to U.S. Government

Schedule 8. Interstate Sales, Etc.

Schedule 9. Sales Tax Included

Schedule 10. Other Exempt Transactions

Taxable Measure Basis Only (Exhibits 37 to 65):

Schedule 12. Taxable Measure

INDEXING SUMMARY SCHEDULES

(CONT.) 0302.55

Either Total Sales or Taxable Measure Basis:

Schedule 2 Purchases Subject to Use — Tax Schedule 15. Purchases Subject to Local Tax Schedule 16. Taxable Measure – Local Tax

Schedule 20 Section 6406 Credits

Schedule A8. Taxable Measure – District Tax — (Name of District)

Schedule A8.1 to A8.x To be used when adjustments are made to more than one

district tax)

Schedule G2 Sales Tax Paid to Distributors and Brokers (Gasoline Sellers)

Schedules for audits made on a taxable measure basis will be numbered as Schedule 12, which corresponds with the line number reporting the measure of tax on a return. However, self-consumed items and purchases subject to use tax should be identified separately in the analysis of differences on audit schedules and audit reports. This provides a clearer analysis of the proposed measure of tax on Form BOE–414–A. As an alternative, self-consumed items and purchases subject to use tax may be included on Schedule 2, and taxable sales differences on Schedule 12. Schedules in interdistrict cooperative audits will precede the schedule number with the identifying letters (e.g. AB, CH, FH) of the district preparing the schedule.

Schedule 16 will be prepared only when the state and local tax adjustments to reported amounts are different. Since such differences will occur infrequently, it is anticipated that most audits will not require a Schedule 16.

Schedule A8 will be prepared only when the state and district tax adjustments to reported amounts are different. When adjustments to reported amounts are different for state and district taxes, a separate district tax summary schedule must be prepared for each district where audited differences are noted.

If only one district tax summary schedule is required, the schedule should be indexed as A8. If more than one district tax summary schedule is required, the schedules will be indexed as A8.1, A8.2, A8.3, etc., to include all district taxes for which summary schedules are required. The indexing system does not identify a particular A8 summary schedule to a district; therefore, the name of the district should be identified in the schedule heading.

All district tax summary schedules will be prepared on a taxable measure basis irrespective of whether the remainder of the audit was conducted on a total sales basis.

Both Schedule 16 and Schedule A8 summarize all of the differences to the measure of tax and are the sources for the measure of tax on Form BT-414-A1.

There shall be no deviation from this system of indexing.

Subsidiary schedules which directly support summary schedules will bear the same capital letter followed by a dash and numeral, i.e. 12A–1, 12A–2, 12B–1, 12C–1, 12D–1, etc. Subsidiary schedules supporting other subsidiary schedules will bear the same capital letters followed by a dash and the same numerals followed by adding small letters, i.e., 12A–1a, 12A–1b, 12A–2a, 12B–1a. An example of the complete indexing system is as follows:

Schedule 12 (Lead Schedule, Taxable Measure Understated/Overstated)

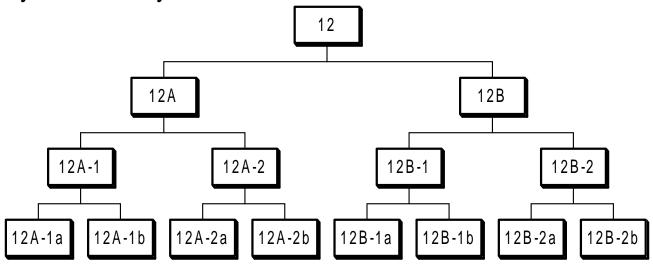
Schedule 12A (Summary Schedule of First Tax Difference)
Schedule 12A-1 (Subsidiary Schedule for First Tax Difference)

Schedule 12A-1a (Subsidiary for Subsidiary Schedule for First Tax Difference)

Schedule 12B (Summary Schedule of Second Tax Difference)

Thus, the schedules should be laid out as indicated by the following chart:

Layout and Assembly of Schedules



It is not good practice to subdivide subsidiary schedules too finely. Often page numbers may be used to designate subdivisions; for example, if a number of pages are used to accumulate data which are summarized on the first sheet, the whole series should be assigned the same index number with pages numbered from 1 up, as follows:

Schedule 12A Page 1 of 3 June 19X1 (Questioned Sales for Resale)
Schedule 12A Page 2 of 3 Oct. 19X2 (Questioned Sales for Resale)
Schedule 12A Page 3 of 3 Page Total Summary (Questioned Sales for Resale)

When indexed in this manner, the schedule should be cross-referenced as 12A-pg. 1, not 12A-1, which refers to a subsidiary schedule supporting Schedule 12A.

If there is only one page to a subsidiary schedule, the "Page" does not require numbering, but if more than one exists, the pages should be numbered from 1 up, as follows: 1 of 6, 2 of 6, 3 of 6, etc.

Subsidiary schedules to audits made on the total sales basis will be indexed as follows:

Schedule 1 (Summary or Total Sales)

Schedule 1A (Subsidiary)
Schedule 1A-1 (Subsidiary)
Schedule 1A-1a (Subsidiary)

INDEXING MEMO AND SUPERSEDED SCHEDULES

0302.65

Memo schedules will be marked "Memo" above the caption "Page," and should be numbered from 1 up, in the space opposite the caption "Schedule." Superseded schedules will be marked "Superseded" diagonally across the body of the sheet. (Section 0302.80)

CROSS-REFERENCING

0302.70

Cross-referencing is necessary to facilitate tracing figures back to the underlying schedules and to aid in tracing subsidiary schedules forward to the summaries. It greatly assists the reviewing auditors and hearing officers and should be used in small audits as well.

Examples of the method by which cross and source references are to be made are shown on the schedules in the various exhibits.

INDEX TO WORKING PAPERS

0302.75

An audit report will contain an index that is prepared on Form BOE–495, Index to Working Papers, whenever five or more lead and subsidiary schedules are prepared for an audit. See Exhibits 8 and 37.

A very large set of audit working papers is sometimes bound together in sections with an index of schedules prepared for each section, and is often marked with tabs for each main section.

Note: In the Index to Working Papers, dashes rather than page numbers are shown in the Page Number column for schedules that contain only one page. For schedules consisting of more than one page, the number of pages are shown in the Page Number columns as 1–2, 1–4, 1–10, etc.

ARRANGEMENT 0302.80

All schedules and exhibits will follow the pertinent schedules to which they relate. Other papers, such as letters, superseded schedules and exhibits of general nature, will be identified as memo schedules, and placed at the back of the audit. Audit working papers should not reference memo schedules. A schedule important enough to be referred to in the audit working papers should be included as a regular schedule directly behind the schedule to which it relates (e.g., XYZ letters, resale certificates, etc.).

The entire file will be carefully lined up on the top and left edges. These sheets should be bound together. A hole to receive the paper fastener, approximately 3/16" in diameter, will be punched in the upper left-hand corner of all papers in such a position that all writing will remain clearly visible.

CONTENT OF WORKING PAPERS

0303.00

BASIC DATA 0303.05

The basic data to be shown on subsidiary schedules should be carefully considered. Figures and other data should not be copied from the taxpayers records without thought given to their significance or ultimate use. On the other hand, all data which could be used in the section under consideration, as well as in other sections of the audit, should be recorded while the documents are being examined so that there will be no necessity for pulling them again; i.e., names, dates, invoice numbers, descriptions of items, points of origin, shipping data, district, and accounts charged should be recorded if any possible use is foreseen. In many cases, certain reference data are required by the taxpayer in examining the schedules for correctness, and if such information is not on the schedule, much time is lost while the taxpayer secures the desired documents and makes the examination.

SUMMARY OR LEAD SCHEDULES

0303.10

Summary (also called lead) schedules represent the final recapitulation of audited and reported figures, differences and analysis of differences, and are prepared for each main section of the audit where there is a difference between the audited and reported figures. They are the basis for transcribing net differences per audit to "Summary of Differences" on Schedule 414–A2 or Schedule 12.

SUBSIDIARY SCHEDULES

0303.15

Subsidiary schedules support summary or other subsidiary schedules. The information shown on this schedule is an analysis of the data shown in total, or by quarters, on the summaries and usually consists of compilations by months to compute quarterly totals, compilations by days, items, or other classifications to determine monthly totals, or data to support calculations of percentages. Adding machine tapes may be included in audit work papers in lieu of listing the figures on a schedule as long as the auditor provides an audit trail to the taxpayer's documents. Tapes should be attached to a seven-column work paper and be displayed so totals are visible. The basis for computing audited figures are recorded on these schedules, e.g., monthly totals from the sales account, individual sales from the cash receipts book, list of individual sales from sales invoices used for test checks, lists of individual purchases from purchase invoices used for computing use tax liability. In a sense, subsidiary schedules are the most important worksheets of the audit since all essential detailed information is compiled thereon. The data should be so complete that an auditor who did not assist in compiling it could, nevertheless, interpret the results, make the required calculations, or prepare summary schedules.

MEMO SCHEDULES 0303.20

Some examples of memo schedules are as follows:

- 1. BOE-624A & B that includes:
 - (a) List of auditor(s) and time spent by day
 - (b) Names of principal officers and employees of the taxpayer
 - (c) List of records and information relative to same
 - (d) Questions compiled during course of the audit to be taken up with supervisor. This is always the very last memo schedule.
- 2. Audit program This is always right in front of the BOE-624s (next to last memo).
- 3. Miscellaneous data including:
 - (a) Copy of B–1164's and BOE–1032's prepared (required)
 - (b) Copy of letters to and from taxpayers.

In many cases, the information contained in these schedules has an important bearing on the audit, and they should be carefully preserved.

Memo schedules, however, do not include schedules or materials that have a direct bearing on other audit schedules or findings (i.e. XYZ letters, taxpayer prepared schedules, etc.). | Such schedules should be included as part of the audit working papers and indexed as schedules accordingly (e.g., 12A–1, 12B–1a, etc.).

MEMO OF TIME OF AUDITORS

0303.25

When more than one auditor is engaged on an audit, which requires considerable time to complete, the auditor in charge may prepare a memo schedule to which they should post daily time. The names of the auditors should be shown in the column headings, and dates in the extreme left-hand column. This record must agree with the time reported on Form BOE–609–A, Auditors Time Report, Form BOE–610, Auditors Monthly Report, Form BOE–666, Employees Summary Time Report, and on the reverse side of Form BOE–414–A, Report of Field Audit.

MEMO OF WORK TO BE DONE WHEN THE AUDIT IS DEFERRED

0303.30

It is sometimes necessary to defer a partially completed audit to allow the taxpayer time to secure additional information. In such cases, a memo should be prepared in duplicate outlining the work to be done by the taxpayer, and the approximate date of the auditor's return to the job. The taxpayer should be given the original copy of this memo. Notes regarding the work completed and the work remaining to be done can be placed on the duplicate copy of the memo which will be placed on the top of the file of working papers for future reference when the auditor returns to the job. Whenever completion of an audit is deferred to accommodate a taxpayer, the auditor may need to secure a Form BOE–122, Waiver of Limitation, unless it is certain that failure to do so will not in any way jeopardize the interests of the State. (See Section 0215.15 for guidance on when to request a waiver.)

VERIFICATION COMMENTS

0304.00

COMMENTS ON SUMMARY SCHEDULES

0304.05

General verification comments are to be written on summary schedules. Specific comments on detailed verification should be made on subsidiary schedules. (See Section 0304.30.) The comments should be clear, specific, and concise. They should be written in an orderly manner stating simply the nature of the transactions, the records examined, the taxpayer's method of reporting, the audit approach, and the result, or audit findings. An example of the captions that should be used in all audits is illustrated below in Sections 0304.10 to 0304.20.

TYPES OF TRANSACTIONS

0304.10

Under this heading, the auditor very briefly gives a description of the taxpayer's business and the types of transactions encountered in the audit. Example: Assuming the audit is of a furniture manufacturer, the Total Sales Summary schedule comment might read:

"The taxpayer is a manufacturer, repairer, and reconditioner of furniture. Also, the taxpayer manufactures custom furniture made from resale inventory as well as customer supplied material."

SOURCE OF DATA 0304.15

Under this heading, the auditor indicates the documents and records that were available for examination and the period for which the documents and records exist. In the case of the furniture manufacturer this comment might read:

"Source data consisted of customer purchase orders, sales invoices, sales journals, monthly profit and loss statements, and general ledger. All records were complete and available for the entire audit period. Franchise Tax Returns were available for calendar years 1998, 1999, and 2000."

This heading would need to be modified if the taxpayer did not provide any records during the audit period.

REPORTING METHOD 0304.17

Under this heading, the auditor provides a brief description as to how the taxpayer reports his/her sales as well as purchases subject to use tax on the sales tax return. The comment should indicate whether the taxpayer nets any sales and if sales tax is included in reported total sales (Line 1 of return). Assuming the same furniture manufacturer, this comment might read:

"The taxpayer reports total sales ex-tax on line one and claims sales for resale and repair labor on lines four and six respectively. Recorded sales tax is reconciled to sales tax paid and the reconciliation work sheet is attached to the tax return. The taxpayer did not report any purchases subject to use tax."

This heading may be omitted if the taxpayer did not report to the Board since this would be obvious from other information.

Under this heading, the auditor briefly summarizes the verification performed and explains what was found and why it is considered to be either taxable or not taxable. The subheadings under this section should be relevant to the items examined and noted in the audit (Tax Accrual Reconciliation, Total Sales, Purchases Subject to Use Tax, etc.) The auditor will need to modify the subheadings in this section to areas examined in their audit.

Comments should be meaningful and necessary. For example, the statement "Findings" — None is unnecessary and should be avoided. If it is obvious from the schedule that there are no differences, this heading should be omitted.

Under the Total Sales summary of the furniture manufacturing company, this comment might read:

"Sales invoices were traced to the sales journal for the period January 1997, and August 1998, and the sales journal footings were traced to general ledger for the audit period. Reported total sales were reconciled to total sales per the general ledger and Franchise Tax Returns for years 1998, 1999, and 2000. No errors or differences were noted. Total reported sales were accepted by the auditor."

Under the Sales for Resale summary schedule, the following Verification and Findings comment might read:

"Recorded sales for resale per the sales journal were reconciled to claimed resales for the audit period. No differences were noted. Recorded sales for resale for December 19XX were tested. December 19XX was selected based on a conversation with the taxpayer who indicated this period accurately represented sales for resale for the audit period. All sales for resale invoices for December 19XX were examined and traced to available resale certificates. The resale certificates were verified as taken in good faith, bearing valid sellers' permit numbers, and signed by purchasers in the business of selling furniture. 20% of December 19XX recorded sales for resale were not supported by resale certificates or valid XYZ responses. The 20% rate of error was applied to claimed resales for the audit period. See Sch. <12J-1> for additional information."

COMMENTS ON SUBSIDIARY SCHEDULES

0304.30

Subsidiary schedules should have brief comments written near the bottom, unless the information is self-evident from columnar headings or is covered in the remarks columns or by other notations. Subsidiary schedule comments should not be the same as comments on the summary schedules. It is important for the auditor to remember that over-all verification comments are for the summary schedules and specific verification comments are for the subsidiary schedules. The information contained on these subsidiary schedules should show:

- Source of data and a brief description of nature of same.
- Extent of verification.
- Basis of estimating where estimates are used.
- Method of calculating percentages.
- Explanation of differences between reported and audited figures if not shown on Remarks column.
- Any other comments pertinent to the method of reasoning used to determine the facts and figures shown on the schedule.

MISCELLANEOUS COMMENTS AND NOTES

0305.00

NO RECORD CASES 0305.05

In cases where records are incomplete or non-existent, it will be necessary to estimate the tax liability based upon the most reliable information the auditor can obtain. In these instances, the comments should be very complete and should indicate clearly the method used in estimating the tax liability, why a particular method was used in preference to some other, and any additional factors tending to confirm the correctness of the auditor's estimate of the tax liability.

FLUCTUATION IN SALES OR DEDUCTIONS

0305.10

Verification comments **should always** include an explanation of abrupt fluctuations in sales, markups, or in any of the deductions claimed by a taxpayer.

PURCHASES SUBJECT TO USE TAX

0305.15

Comments under this caption should indicate whether purchases subject to use tax were properly reported.

Comments should always show the general location of the supplier's business. The comments should be particularly clear and complete in those instances where the purchases subject to use tax were made from a California retailer. Any major purchases reported should be fully described on the subsidiary schedule where such purchases are listed. (Section 0401.20 and 0408.22).

PURCHASES SUBJECT TO SECTION 6406 CREDIT

0305.17

Section 0208.15 defined Section 6406 Credit and noted how headquarters records this credit on Form BOE–414. (Section 0419.20 for further information.)

Comments under this caption should indicate if the credit was properly claimed. Differences noted in the audit should be explained.

SALES TAX INCLUDED IN GROSS SALES

0305.20

Whether a retailer may add sales tax reimbursement to the sales price of the tangible personal property sold at retail to a purchaser depends solely upon the terms of the agreement of sale. Certain presumptions concerning the addition or inclusion of sales tax reimbursement are created by Civil Code Section 1656.1. See Regulation 1700(a)(1)&(2).

PREPAYMENT OF SALES TAX ON MOTOR VEHICLE FUEL (MVF)

0305.2

A portion of the sales tax, which is ultimately due on the retail sale of MVF, is prepaid at the time of the first taxable distribution of MVF in this state. These prepayments into the "SG" fund are separate from the sales and use tax program and must be verified as part of routine audits of MVF sellers.

OVERPAYMENTS 0305.25

For reasons indicated in Chapter 2, verification comments should be particularly complete in audits recommending refunds. (See Section 0216.03.)

TAX ERRORS ON RETURNS

0305.30

Any material unexplained differences between the total tax on Form BOE–414 and the tax paid by the taxpayer should be commented upon fully by the auditor under the appropriate caption on the back of Form BOE–414–A. Comments should indicate why the differences cannot be explained and their probable nature.

January 2000

NOTES 0305.35

Notes, as distinguished from the verification comments, should give the detail of all significant differences affecting taxable sales as well as the reason for the differences. If, for example, certain sales for resales were disallowed, the note on this subject should not only indicate that fact, but also the reason for disallowance. Wherever possible, these notes should appear on the same line on the schedule as the item, which is being explained.

SPECIAL EXPLANATION

0305.40

It may be necessary to make comments or explanations on the summary or subsidiary schedules, which are of a kind other than those previously indicated. This type of comment should be made under a heading, which describes the subject matter as precisely as possible.

For example, rental transactions may affect several items on the tax return such as total sales, purchases subject to use tax, or some other deduction. In commenting on rentals, it will often be simpler to discuss all phases of the transactions under the single heading "Rentals" rather than to discuss it in part under a number of separate headings.

DATING ENTRIES IN AUDIT REPORTS AND WORKING PAPERS

0305.50

A uniform method of dating entries is to be used in both computer generated and hand written audit reports and working papers. Dating entries are as follows:

- (a) Specific dates are to be entered as: 1/1/1999, 2/19/1999, etc.
- (b) Specific months are to be entered as: May 1999, July 1999, etc.
- (c) Specific quarters are to be entered as: 1Q-99, 2Q-99, etc.
- (d) Specific years are to be entered as: YR98, YR99, etc.
- (e) Specific fiscal years are to be entered as: FY97/98, FY98/99, etc.

SAMPLE WORKING PAPERS

0305.60

Computer generated working papers are a part of this chapter. Features, which should be noted, are indexing and cross-referencing, cross-footings, format, and comments on the schedules. They should be carefully studied as an illustration of the type of working papers desired to support tax audits.

It is impractical to illustrate all of the numerous variations of working papers that may be used to record and summarize data secured during the course of an audit. The illustrations in this chapter are samples only. The schedules illustrating total sales and sales for resale may be used for any deduction where the arrangement fits in with the audit program. There are two general types of working papers illustrated, summary schedules and subsidiary schedules. Summary schedules (0303.10) always present certain basic information, usually by quarters; i.e., period, amount per audit, amount reported, difference, and analysis of difference. Subsidiary schedules (0303.15) are arranged to present the desired information in a form to fit into the summary schedule which they support.

AUDIT MANUAL

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Percentage of Disallowance of		
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Resales Subject to LACT Tax	[A8.2A-1] Exhibit 65

SUMMARY OF CLAIMED EXEMPT SALES BY QUARTER

EXHIBIT 1 Page 1 of 2

DISALLOWED CLAIMED EXEMPT SALES

12X page 1 of 2	
SR AC 12-121212	
J.C. Conlon	
09/03/1999	

	Α	В	С	D	E
			<12X-1>	<12X-1>	<12X-1>
REF			QUESTIONED CLAIMED EXEMPT SALES	DISALLOWED CLAIMED EXEMPT SALES	ADDITIONAL TRANSIT TAX MEASURE
1			Data		
2	Years	DATE	Sum of AMOUNT QUESTIONED	Sum of AMOUNT TAXABLE	Sum of DISTRICT MEASURE
3	1996	Qtr2	3,112	1,767	1,767
4		Qtr3	7,137	1,011	1,011
5		Qtr4	1,692	1,692	1,692
6	1997	Qtr1	12,514	780	780
7		Qtr2	6,175	1,362	1,362
8		Qtr3	1,184	112	112
9		Qtr4	5,053	1,329	1,329
10	1998	Qtr1	1,118	120	120
11		Qtr2	5,153	0	0
12		Qtr3	2,299	398	398
13		Qtr4	890	645	645
14	1999	Qtr1	3,477	3,001	3,001
15	Grand To	tal	49,804	12,217	12,217
16				<12>	

17

18

19 20 21

22 23

24 25

26 27 28

29 30 Note:

This schedule was generated using a pivot table. Using pivot tables will not allow the period codes to be in the prescribed format of 1Q-96, 2Q-96, etc.

> Copy to Taxpayer Date:

AUDIT WORKING PAPERS

Summary of Claimed Exempt Sales by Quarter

Exhibit 1 Page 2 of 2

DISALLOWED CLAIMED EXEMPT SALES - Additional Transit Tax Measure

26

27 28

29 30

12X page 2 of 2
SR AC 12-121212
J. C. Conlon
09/03/99

				I	Ī		
	A	В	С	D	E	F	G
		1	<12X-1>	<12X-1>	<12X-1>	<12X-1>	<12X-1>
D = E					0.074	20.70	0747
REF			LACT	LATC	OCTA	SDTC	STAT
1	V	ID A TE	Data	0	0	0	0
2	Years	DATE	Sum of LACT	Sum of LAIC	Sum of OCTA	Sum of SDIC	Sum of STAT
3	1996	Qtr1					
4		Qtr2	17	17	1,750		
5		Qtr3	411	411			600
6		Qtr4	1,692				
7	1997	Qtr1	780	780			
8		Qtr2	623	623	341	398	
9		Qtr3				112	
10		Qtr4	1,329	1,329			
1	1998	Qtr1	120	120			
2		Qtr2					
3		Qtr3	40	40	358		
14		Qtr4	645	645			
5	1999	Qtr1	2,772	2,772	229		
6		Qtr2	ŕ	•			
7		Qtr3					
8		Qtr4					
9	Grand To		8,429	8,429	2,678	510	600
20			<a8.1></a8.1>	<a8.1></a8.1>	A8.2>	<a8.3></a8.3>	<a8.4></a8.4>
21							
22							
23							
24							
25							
.0							

Copy to Taxpayer

This schedule was generated using a pivot table.

Date: _____

Note:

TEST OF CLAIMED EXEMPT SALES

	UESTIONED CLAIMED EXEMPT SALES		SC												
ACT	JAL BASIS		-		AC 12-121212 C. Conlon										\vdash
					03/99										
	Α	В	С	D	E	F	G	н	ı	J	К	L	M	N	O P
				ъ		<u> </u>		۳.		,	I.		IWI .	N N	 Ŭ .
REF	DATE	SALES INVOICE NUMBER	CUSTOMER NAME	STREET	CITY, STATE,ZIP	SHIP TO	PO NUMBER	PO STATUS	ITEM	AMOUNT QUESTIONED	AMOUNT TAXABLE	DISTRICT MEASURE	DISTRICT CODE	COMMENT	XYZ SENT
1	04/01/1996	12222	ADVERTISING SERVICES INC	22222 Washington Blud	Now York NV 10017	Now York	A14079	NIT	Signs	1 000	0		NONE	Supported by Bill of Loding	
2	04/04/1996		ADVERTISING SERVICES INC	22323 Washington Blvd 22323 Washington Blvd	New York, NY 10017 New York, NY 10017	New York	A14078 A14987		Signs Signs	1,000	0		NONE	Supported by Bill of Lading Supported by Bill of Lading	
			ADVERTISING								1 700				
3	05/06/1996	12343	SERVICES INC	22323 Washington Blvd	New York, NY 10017	Anaheim	A15201	-	Catalogs	1,702	1,702	1,702	OCTA	Shipped to Anaheim location	_
4	05/16/1996		TELEPRESS AMERICAN HANGER CO	5432 Sun City Way	Las Vegas, NV 89108	Las Vegas	96-C123789	NT	Business Cards	291	0		NONE	Supported by Bill of Lading	\vdash
5	05/30/1996	12565	INC	3434 W. Alameda Blvd.	Los Angeles, CA 90058		789-45612	Т	Hangers	17	17	17	LACT, LATC	PO states taxable.	\vdash
6	06/07/1996	12676	TELEPRESS	5432 Sun City Way	Las Vegas, NV 89108	Las Vegas New Port	96-C123901	NT	Business Cards	33	0	0	NONE	Supported by Bill of Lading	\vdash
7	06/19/1996	12787	TELEPRESS	5432 Sun City Way	Las Vegas, NV 89108	Beach	96-C124023	Т	Business Cards	48	48	48	ОСТА	Shipped to Newport Beach location	
8	07/10/1996	12898	TELEPRESS	5432 Sun City Way	Las Vegas, NV 89108 North Hollywood, CA	Las Vegas	96-C124456	NT	Business Cards	300	0	0	NONE	Supported by Bill of Lading Printed sales message exemption	
9	07/22/1996	13009	COLOR SERVICE INC.	3433 Hollywood Blvd	91606		CAL-124578	NT	Super Discount Mailer	2,230	0	0	NONE	on file	\vdash
10	08/09/1996	13120	TURNER'S TOOL CO.	3434 Arrow Highway	Santa Ana, CA 92708				Envelopes	3,596	0	0	NONE	Resale card located	Y
11	09/11/1996	13231	OVERLAKE PRESS INC. MESSENGER TOOLING,	3433 Rosewood Road	Compton, CA 90221		C0012345		Holiday Greeting Cards	411	411	411	LACT, LATC	XYZ states taxable	Y
12	09/18/1996	13342	INC	22323 Washington Blvd 2323 West Industry Center	Sacramento, CA 95820				Signs	600	600	600	STAT	No response to XYZ	Y
13	10/24/1996	13675	ARCH CROWN TAGS	Road	Los Angeles, CA 90021 North Hollywood, CA		7892		Shipping Tags	21	21	21	LACT, LATC	No response to XYZ	Y
14	10/24/1996	13453	COLOR SERVICE INC.		91606		CAL-127894	Т	Transparency	1,025	1,025	1,025	LACT, LATC	PO states taxable.	
15	12/12/1996	13564	OVERLAKE PRESS INC.	3433 Rosewood Road	Compton, CA 90221		C0012789		Key Rings	75	75	75	LACT, LATC	XYZ states taxable	Y
16	12/12/1996	13786	OVERLAKE PRESS INC.	3433 Rosewood Road	Compton, CA 90221 North Hollywood, CA		C0012987		Golf Towels	571	571	571	LACT, LATC	XYZ states taxable Printed sales message exemption	Y
17	01/02/1997	13897	COLOR SERVICE INC.	3433 Hollywood Blvd	91606		CAL-130147	NT	Marathon Mailers	3,200	0	0	NONE	on file	
18	01/21/1997	14008	COLOR SERVICE INC.	3433 Hollywood Blvd	North Hollywood, CA 91606		CAL-130547		Transparency	780	780	780	LACT, LATC	No response to XYZ	Y
19	02/27/1997	14119	RALPH & COMPANY	3434 Long Arrow Highway	Los Angeles, CA 90043				Brass Hardware	3,398	0	0	NONE	XYZ states resale	YY
20	03/06/1997	14230	ANDOVER PRINTING	6767 Firth Ave.	Los Angeles, CA 90049				Fashion Fliers	460	0	0	NONE	Resale card located	$\perp \perp$
21	03/11/1997	14341	AMERICAN HANGER CO	3434 W. Alameda Blvd.	Los Angeles, CA 90058		897-12564	NT	Hangers	2,313	0	0	NONE	PO states for resale.	
22	03/20/1997	14452	AMERICAN HANGER CO	3434 W. Alameda Blvd.	Los Angeles, CA 90058		921-00145		Hangers	2,363	0	0	NONE	PO states for resale.	
23	04/10/1997	14563	AMERICAN HANGER CO	3434 W. Alameda Blvd.	Los Angeles, CA 90058		998-10234	NT	Hangers	4,813	0	0	NONE	PO states for resale.	$\perp \perp$
24	04/11/1997	14674	TELEPRESS	5432 Sun City Way	Las Vegas, NV 89108	New Port Beach	97-C123325	Т	Business Cards	341	341	341	ОСТА	Shipped to Newport Beach location	
25	05/16/1997	14785	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4532198	Т	Three Ring Binders	398	398	398	SDTC	PO states taxable.	
26	05/22/1997	14896	BIG BUSINESS INC.	4545 West Industry Drive	Los Angeles, CA 90021		123789456		Business Cards	99	99	99	LACT, LATC	XYZ states taxable	Y
27	06/19/1997	15007	BIG BUSINESS INC.	4545 West Industry Drive	Los Angeles, CA 90021		124567890		Business Cards	216	216	216	LACT, LATC	XYZ states taxable	Y
28	06/30/1997	15118	BIG BUSINESS INC.	4545 West Industry Drive	Los Angeles, CA 90021		124789456		Business Cards	308	308	308	LACT, LATC	XYZ states taxable	Y
29	07/31/1997	15229	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4547894	Т	Briefcase	112	112	112	SDTC	PO states taxable.	
30	08/12/1997	15340	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4547900	NT	Trays	147	0	0	NONE	Resale card located	Y

0 P

SENT

COMMENT

XYZ states resale

XYZ states resale

XYZ states taxable

XYZ states taxable

Resale card located

γZ :

DISTRICT

CODE

0 NONE

0 NONE

618 LACT, LATC

711 LACT, LATC

0 NONE

														S
_	4544 W. Industry Way	San Diego, CA 92101		REF4551125	NT	Light Bulbs	62	0	0	NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4551300	NT	Polishing Cream	20	0	0	NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4551456	NT	Miracle Wax	195	0	0	NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4562011	NT	Paint Remover	40	0	0	NONE	Resale card located		Υ	
	2322 N. Plum Street	Los Angeles, CA 90042				Business Cards	90	90	90	LACT, LATC	No response to XYZ	Υ		
	23223 E. River Drive	Riverside, CA 92508				Hangers	140	0	0	NONE	XYZ states reported in 1Q98	Y		
	5678 Fashion Center Blvd	Newport Beach, CA 92660				Polishing Cream	623	0		NONE	XYZ states resale	Y	Υ	
	2322 N. Plum Street	Los Angeles, CA 90042				Printed Materials	30	30		LACT, LATC	No response to XYZ	Y		
	4544 W. Industry Way	San Diego, CA 92101		REF4563007		Gloves	210	0		NONE	Resale card located	<u> </u>	Υ	
			Na	KEF4303007				0					-	
	5678 Fashion Center Blvd		New York			Paint Remover	2,848	0		NONE	Supported by Bill of Lading		H	
-	4544 42nd Lane	Santa Ana, CA 92708		Y97987	-	Hangers	1,980	0	0	NONE	XYZ states resale	Y	Н	
_	4544 W. Industry Way	San Diego, CA 92101		REF4563578	NT	Polishing Wheels	115	0	0	NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4564000	NT	Miracle Wax	35	0	0	NONE	Resale card located		Υ	
	3456 Hasley Canyon Road	Irvine, CA 92715				Big Warehouse Sale Flyers	358	358	358	OCTA	XYZ states taxable	Υ		
	4544 42nd Lane	Santa Ana, CA 92708		Y97999		Hangers	1,677	0	0	NONE	XYZ states resale	Υ		
	4544 42nd Lane	Santa Ana, CA 92708		Y98448		Hangers	189	0	0	NONE	XYZ states resale	Υ		
	2322 N. Plum Street	Los Angeles, CA 90042				Brochures	40	40	40	LACT, LATC	No response to XYZ	Υ		
	23955 Soledad Road	Santa Clarita, CA 91350		789654	Т	Big Warehouse Sale Flyers	330	330	330	LACT, LATC	PO states taxable.			
	23955 Soledad Road	Santa Clarita, CA 91350		795461	т	Big Warehouse Sale Flyers	315	315	315	LACT, LATC	PO states taxable.			
	4544 W. Industry Way	San Diego, CA 92101		REF4577891		Brochures	100	0		NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4578012		Business Cards	107	0		NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4578124		Polishing Cream	38	0		NONE	Resale card located		Υ	
	4544 42nd Lane	Santa Ana, CA 92708		Y98783		Hangers	165	0		NONE	XYZ states resale	Y	П	Ū
	2322 N. Plum Street	Los Angeles, CA 90042		1.23.00		Gloves	38	38		LACT, LATC	No response to XYZ	Y	П	PAGE
_	4544 W. Industry Way	San Diego, CA 92101		REF4579123		Solvents	71			NONE	Resale card located		_	EXHIBIT GE 2 OF
	THOUSING WAY	-	to Toyo			Ouverits	/1	0		INONE	irceaic caid located		ш	유
			to Taxp											üΝ
		Date:												

AMOUNT

QUESTIONED

925

3,600

618

711

ITEM

Silver Foam Covers

Hangers

Displays

Envelopes

NT Solvents

AMOUNT

TAXABLE

618

711

DISTRICT

MEASURE

QUESTIONED CLAIMED EXEMPT SALES -

SALES INVOICE

NUMBER

CUSTOMER NAME

GREEN CORPORATION

GREEN CORPORATION

GREEN CORPORATION

GREEN CORPORATION

HOLLYWOOD & VEGA

FLOWER POWER

JOSE'S SUPPLIES

LITTLE GUY INC.

FLOWER POWER

LITTLE GUY INC.

HOLLYWOOD & VEGA

YOUSEFFIA FASHIONS

HOLLYWOOD & VEGA

HOLLYWOOD & VEGA

YOUSEFFIA FASHIONS

YOUSEFFIA FASHIONS

FLOWER POWER

GRAPHIC TRAFFIC

GRAPHIC TRAFFIC

HOLLYWOOD & VEGA

HOLLYWOOD & VEGA

HOLLYWOOD & VEGA

YOUSEFFIA FASHIONS

HOLLYWOOD & VEGA

FLOWER POWER

HALLAS COLOR

ACTUAL BASIS

DATE

09/22/1997 15451

10/01/1997 15562

10/29/1997 15673

11/12/1997 15784

11/24/1997 15895

12/03/1997 16006

12/10/1997 16117

01/22/1998 16339

02/04/1998 16450

02/25/1998 16561

04/07/1998 16894

06/01/1998 17005

06/11/1998 17116

07/17/1998 17449

08/21/1998 17560

09/08/1998 17671

10/02/1998 17893

10/23/1998 18004

11/01/1998 18115

11/09/1998 18226

11/22/1998 18337

01/14/1999 18448

01/28/1999 18559

02/02/1999 18670

52 09/18/1998 17782

47 06/24/1998 17227

48 07/06/1998 17338

50

53

55

57

42 03/09/1998 16672

43 03/31/1998 16783

38 01/14/1998 16228

REF

35

SCHEDULE: 12X-1

CITY, STATE,ZIP

Los Angeles, CA 90026

Los Angeles, CA 90026

Los Angeles, CA 90026

os Angeles, CA 90026

San Diego, CA 92101

SHIP TO PO NUMBER

ABC123014

ABC123612

ABC123789

ABC123987

REF4551002

SR AC 12-121212 J. C. Conlon 09/03/99

STREET

2345 West Bridgeport

2345 West Bridgeport

2345 West Bridgeport

4544 W. Industry Way

Road

Road

Road

TEST OF CLAIMED EXEMPT SALES

	TIONED CLA AL BASIS	AIMED EXEMPI	SALES -	SR	HEDULE: 12X-1 LAC 12-121212								Н				
										\vdash	Н						
	Α	В	С	D	E		F	G	Н	I	J	K	L	М	N	0	Р
REF	DATE	SALES INVOICE NUMBER	CUSTOMER NAME	STREET	CITY, STATE,	,ZIP	SHIP TO	PO NUMBER	PO	ITEM	AMOUNT QUESTIONED	AMOUNT TAXABLE	DISTRICT MEASURE	DISTRICT CODE	COMMENT	XYZ SENT	1164 SENT
61	02/09/1999	18781	BOBBY MANUFACTURING CO.	3434 Long Arrow Highway	Los Angeles, CA 9	00043				Tea Program Brochures	2,734	2,734	2,734	LACT, LATC	XYZ states taxable	Υ	Ш
62	02/23/1999	18892	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92°	101		REF4581123		Polishing Cream	63	0	0	NONE	Resale card located		Υ
63	03/03/1999	19003	HALLAS COLOR	3456 Hasley Canyon Road	Irvine, CA 92715					Big Warehouse Sale Flyers	229	229	229	OCTA	XYZ states taxable	Υ	
64	03/03/1999 19003 HALLAS COLOR 3456 Hasley Canyon Road Irvine, CA 92715 Big Warehouse Sale Flye 03/29/1999 19225 GRAPHIC TRAFFIC 23955 Soledad Road Santa Clarita, CA 91350 797456 Instruction Sheets									93	0	0	NONE	Resale card located		Ш	
65	SALES INVOICE CUSTOMER NAME STREET CITY, STATE, ZIP SHIP TO PO NUMBER CUSTOMER NAME STREET CUTY, STATE, ZIP SHIP TO PO NUMBER CUSTOMER NAME OUT TEAP PROGRAM AND ACTURING CO. 3434 Long Arrow Highway Los Angeles, CA 90043 1 02/09/1999 18781 MANUFACTURING CO. 3434 Long Arrow Highway Los Angeles, CA 90043 2 02/23/1990 18892 HOLLYWOOD & VEGA 4544 W. Industry Way San Diego, CA 92101 REF4581123 Polishing Cream Big Warehouse Sale Flyers 3 03/03/1999 19003 HALLAS COLOR 3456 Hasley Canyon Road Irvine, CA 92715 Big Warehouse Sale Flyers 4 03/29/1999 19225 GRAPHIC TRAFFIC 23955 Soledad Road Santa Clarita, CA 91350 797456 Instruction Sheets 5 03/17/1999 19114 GRAPHIC TRAFFIC 23955 Soledad Road Santa Clarita, CA 91350 796123 Instruction Sheets Note: 1 Auditors can justify columns to make worksheet readable. Note: 2 Schedules should be printed on legal size (8.5 x 14) to conform to 0302.08.								84	0	0	NONE	Resale card located		Ш		
																	Ш
										TOTAL	49,804	12,217	12,217				
												<12X>	<12X>				Ц
																Ш	
	Note	: 1										\vdash					
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	Audi	tors ca	ii justily coi	ullins to ma	Ke works	snee	t rea	uable.									
																Ш	
	Note	: 2		1	1											\forall	
	Sche	dules s	should be pr	inted on lega	al size (8.	.5 x	14) t	o confo	rn	n to 0302.08							
																Ш	
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	Note	: 3														\vdash	
	All ex	khibits	in this chap	ter were pre	oared us	ing	the a	udit ma	acı	o package ir	1					\Box	
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AUDIT WORKING PAPERS

SUMMARY OF CLAIMED EXEMPT SALES BY PAGE TOTAL

EXHIBIT 3

QUESTIONED CLAIMED EXEMPT SALES - PAGE TOTALS

SCHEDULE: 12X-1 page 4 of 4
SR AC 12-121212
J. C. Conlon
09/03/99

	Α	В	С	D	E	F	G	Н
	,							
	LINE	LINE	AMOUNT	AMOUNT	DISTRICT			
PG	START	END	QUESTIONED	TAXABLE	MEASURE			
1	1	33	36,032	7,342	7,342			
2	34	65	13,772	4,875	4,875			
	TOTAL		49,804	12,217	12,217			

Note:.

This schedule was generated using a pivot table and should be numbered as the last page of the Questioned Claimed Exempt Sales schedule (Exhibit 2).

AUDIT MANUAL

SUMMARY OF PURCHASES SUBJECT TO USE TAX BY QUARTER

EXHIBIT 4
Page 1 of 2

ADDITIONAL CONSUMABLE SUPPLIES SUBJECT TO USE TAX - 1997

SCHEDULE: 12Y page 1 of 2
PERMIT SRAC 12-121212
AUDITOR J. C. Conlon
DATE 09/09/99

Α	В	С	D	E	I
		<12Y-1>	<12Y-1>	<12Y-1>	
		QUESTIONED SUPPLY PURCHASES	ADDITIONAL TAXABLE SUPPLY PURCHASES	ADDITIONAL TRANSIT TAX MEASURE	
		Data			
Years	DATE	Sum of AMOUNT QUESTIONED	Sum of AMOUNT TAXABLE	Sum of DISTRICT MEASURE	
1997	Qtr1	12,153	9,755	9,755	1
	Qtr2	4,439	3,214	3,214	
	Qtr3	2,666	2,486	2,486	
	Qtr4	12,439	9,308	9,308	
Grand T	otal	31,697	24,763		1
			40		-

<12>

 Note:

This schedule was generated using a pivot table.

SUMMARY OF PURCHASES SUBJECT TO USE TAX BY QUARTER

EXHIBIT 4
PAGE 2 OF 2

ADDITIONAL CONSUMABLE SUPPLIES Additional Transit Tax Measure

SCHEDULE: 12Y page 2 of 2
PERMIT SR AC 12-121212
AUDITOR J.C. Conlon DATE 09/09/1999
DATE 09/09/1999

Α	В	С	D	E	F	G	Н
		<12Y-1>	<12Y-1>	<12Y-1>			
		LACT	LATC	NO TRANSIT TAX			
		Data					
Years	DATE	Sum of LACT	Sum of LATC	Sum of NONE			
1997	Qtr1	9,755	9,755	0			
	Qtr2	3,214	3,214	0			
	Qtr3	2,486	2,486				
	Qtr4	9,308	9,308	0			
Grand Total		24,763	24,763	0			
		<a8.1></a8.1>	<a8.1></a8.1>		•		

 Note:

This schedule was generated using a pivot table. Using pivot tables will not allow the period codes to be in the prescribed format of 1Q-96, 2Q-96, etc.

TEST OF PURCHASES SUBJECT TO USE TAX

				TEST OF 1997		ule: 12Y-1 : SRAC 12-121212											+	+	\dashv
					Audito	r J.C. Conlon											П	Ŧ	_
					Date 0	9/09/99				\vdash							+	+	\dashv
	Ε	Α	В	С	D	E	F	G	Н	Ι,	К	L	M	N	0	P	Q	R S	;
R	F	DATE	INVOICE NUMBER	VENDOR	STREET	CITY, STATE,ZIP	SHIP FROM	SHIP TO	PO NUMBER	SUTATUS	ITEM	AMOUNT QUESTIONE D	AMOUNT TAXABLE	DISTRICT MEASURE	DISTRICT CODE	COMMENT	ABCSENT	1032 SENT	1164 SENI
1	1	/13/1997	42379	AAA CORP	1000 Meyer Lane	El Monte, CA 91731	l _{CA}	Torrance			Y Business Cards	757	640	640	LACT, LATC	No misuse of resale card indicated. Taxpayer purchases other items for resale.			
2		3/25/1997		AAA CORP	1000 Meyer Lane	El Monte, CA 91731		Torrance			Y Business Cards	757	640		LACT, LATC	No misuse of resale card indicated. Taxpayer purchases other items for resale.		I	
3	1	0/3/1997	1727	Bower Manufacturing	3225 N. Century Plaza	Phoenix, AZ 85012	AZ	Torrance			Brochures	1,397	0	0	NONE	Tax accrued by taxpayer	Ц,	Υ	
4	2	/17/1997	27234	BUSS PRINTING	706 Peck Road	Redondo Beach, CA 90278	CA	Torrance	6868	NT	Forms	580	0	0	NONE	No Resale Card provided	Ц	<u> </u>	1
5	2	2/28/1997	27328	BUSS PRINTING	706 Peck Road	Redondo Beach, CA 90278	CA	Torrance	6900	NT	Forms	365	0	0	NONE	No Resale Card provided	Ц	上,	_
6	3	/10/1997	27491	BUSS PRINTING	706 Peck Road	Redondo Beach, CA 90278	CA	Torrance	6933	NT	Forms	892	0	0	NONE	No Resale Card provided	Ц	<u>ٔ</u>	_
7	1	4/4/1997	274222201	C&H WHOLESALERS	BOX 99031	Milwaukee, W I 53288	WI	Torrance		Ш	Folders	170	170	170	LACT, LATC	No tax reported by vendor per ABC letter	Υ	\perp	_
8	5	/27/1997	279505001	C&H WHOLESALERS	BOX 99031	Milwaukee, W I 53288	WI	Torrance		Ш	Folders	545	545	545	LACT, LATC	No tax reported by vendor per ABC letter	Υ	\perp	_
9	9	/24/1997	298276701	C&H WHOLESALERS	BOX 99031	Milwaukee, W I 53288	WI	Torrance			Binders	725	725	725	LACT, LATC	No tax reported by vendor per ABC letter	Υ	\perp	_
1 (1	1/4/1997	1997	CAL SUPPLY INC.	3000 Malt Ave.	Commerce, CA 90040	CA	Torrance	6868	Ш	FORMS	794	0	0	NONE	No Resale Card provided	Ц	۲,	_
1	1	/20/1997	1308	COMPUTER COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	IL	Torrance	6399	Ш	Computer & Office Supplies	507	507	507	LACT, LATC	Item Expensed for own use	╽.	Y	_
12	2	/28/1997	1490	COMPUTER COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	IL	Torrance	6476		Computer & Office Supplies	240	240	240	LACT, LATC	Item Expensed for own use	╽.	Y	
13	5	/30/1997	1678	COMPUTER COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	IL	Torrance	6571	Ш	Computer & Office Supplies	240	240	240	LACT, LATC	Item Expensed for own use	<u>ll</u>	Υ	
14	11	/21/1997	2890	COMPUTER COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	IL	Torrance	6722		Computer & Office Supplies	645	65	65	LACT, LATC	Item Expensed for own use	∐·	Y	_
15	12	/31/1997	3189	COMPUTER COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	IL	Torrance	6934		Computer & Office Supplies	364	364	364	LACT, LATC	Item Expensed for own use	╽.	Y	
16	2	/20/1997	3767738	DATA SYSTEM WAREHOUSE	400 Fuller St.	Boston, MA 02124	МА	Torrance	6934		Business Cards	240	0	0	NONE	ABC response states assessed in Vendor's audit	Υ		
17		2/7/1997		DELUXE BUSINESS STATIONARY DELUXE BUSINESS	2700 Raymond St.	ST Paul, MN 55164		Torrance	6934		Chairs	650	650	650	LACT, LATC	Item Expensed for own use	\prod	Y	
18	3	/17/1997	90406300	STATIONARY	2700 Raymond St.	ST Paul, MN 55164	MN	Torrance	7691	Ш	Roll Stand	342	321	321	LACT, LATC	Item Expensed for own use	IJ,	Y	
19	4	/21/1997	90456364	DELUXE BUSINESS STATIONARY	2700 Raymond St.	ST Paul, MN 55164	MN	Torrance	7746		Card Holder	72	65	65	LACT, LATC	Item Expensed for own use	∐.	Υ	
20	5	/14/1997	86137476	DELUXE BUSINESS STATIONARY	2700 Raymond St.	ST Paul, MN 55164	MN	Torrance			Utility Cart	125	113	113	LACT, LATC	Item Expensed for own use	Ц,	Υ	
2	7	/17/1997	91177794	DELUXE BUSINESS STATIONARY	2700 Raymond St.	ST Paul, MN 55164	MN	Torrance	7608		Cabinet	297	212	212	LACT, LATC	Item Expensed for own use	<u>H</u>	Υ	
22	9	/30/1997	18137861	FRANKLIN FUEL SYSTEMS	2500 Poydras St.	New Orleans, LA 70130	LA	Torrance	6153		Machinery Parts	138	43	43	LACT, LATC	Item Expensed for own use	<u>H</u>	Y	
23	10	/29/1997	18821437	FRANKLIN FUEL SYSTEMS	2500 Poydras St.	New Orleans, LA 70130	LA	Torrance	6461		Machinery Parts	20	16	16	LACT, LATC	Item Expensed for own use	₽	Y	_
24	11	/19/1997	18992736	FRANKLIN FUEL SYSTEMS	2500 Poydras St.	New Orleans, LA 70130	LA	Torrance	6461	Ш	Machinery Parts	65	57	57	LACT, LATC	Item Expensed for own use	∐,	Y	
2	11	/21/1997	18993761	FRANKLIN FUEL SYSTEMS	2500 Poydras St.	New Orleans, LA 70130	LA	Torrance	6461		Machinery Parts	61	54	54	LACT, LATC	Item Expensed for own use	∐.	Y	_
26	1	2/4/1997	19298832	FRANKLIN FUEL SYSTEMS	2500 Poydras St.	New Orleans, LA 70130	LA	Torrance	6461		Machinery Parts	1,936	1,828	1,828	LACT, LATC	Item Expensed for own use	₽	Y	_
27	12	/17/1997	19298844	FRANKLIN FUEL SYSTEMS	2500 Poydras St.	New Orleans, LA 70130	LA	Torrance	6720	\sqcup	Machinery Parts	1,154	1,100	1,100	LACT, LATC	Item Expensed for own use	₩.	Y	4
28	12	/22/1997	19308289	FRANKLIN FUEL SYSTEMS	2500 Poydras St.	New Orleans, LA 70130	LA	Torrance	6720		Machinery Parts	1,270	1,197	1,197	LACT, LATC	Item Expensed for own use	∐.	Y	_
29	12	/30/1997	19925953	FRANKLIN FUEL SYSTEMS	2500 Poydras St.	New Orleans, LA 70130	LA	Torrance	6805	Ш	Machinery Parts	233	216	216	LACT, LATC	Item Expensed for own use	∐.	Y	_
3(1	/24/1997	10308650	GLOBAL OFFICE SUPPLY	2900 1 St. Avenue	New York, NY 10010	NY	Torrance	6831	Т	Lab Coats	861	856	856	LACT, LATC	No ABC response, item expensed for own use	Υ	\perp	

QUI	STIONED	FX-TAX PUI	RCHASES OF	School	lule: 12Y-1											I	\top	o
			- TEST OF 1997		t SRAC 12-121212												世	1
					r J.C. Conlon												Н	\perp
				Date 0	09/09/99	+			+								++	+-
	Α	В	С	D	E	F	G	н	1	J K		L	М	N	0	P	QF	₹ S
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						FROM			TUS	9							ABC SENT	1164 SENT
		INVOICE				E E		РО	l	8		AMOUNT QUESTIONE	AMOUNT	DISTRICT	DISTRICT		SSE	4 Si
REF	DATE	NUMBER	VENDOR	STREET	CITY, STATE,ZIP	SHP	SHIP TO	NUMBER	POSITA	ଥ ITEM		D	TAXABLE	MEASURE	CODE	COMMENT	AB/	116
31	1/31/19	97 10344380	GLOBAL OFFICE SUPPLY	2900 1 St. Avenue	New York, NY 10010	NY	Torrance	6880	т	Wristband		54	51	51	LACT, LATC	No ABC response, item expensed for own use	Y	
32	1/31/19	97 10457590	GLOBAL OFFICE SUPPLY	2900 1 St. Avenue	New York, NY 10010	NY	Torrance	7094	т	Janitorial Supplies	3	584	584	584	LACT, LATC	No ABC response, item expensed for own use	Υ	
33	2/4/19	97 10535860	GLOBAL OFFICE SUPPLY	2900 1 St. Avenue	New York, NY 10010	NY	/ Torrance	7218	Т	Wristband		54	51	51	LACT, LATC	No ABC response, item expensed for own use	Y	
34	3/21/19	97 10994090	GLOBAL OFFICE SUPPLY	2900 1 St. Avenue	New York, NY 10010	NY	Torrance	7781	Т	Safety Signs		674	670	670	LACT, LATC	No ABC response, item expensed for own use	Y	\perp
35	4/15/19	97 10065250	GLOBAL OFFICE SUPPLY	2900 1 St. Avenue	New York, NY 10010	NY	Torrance	7869	Т	Goggles		735	731	731	LACT, LATC	No ABC response, item expensed for own use	Y	
36	10/15/19	97 10308650	GLOBAL OFFICE SUPPLY	2900 1 St. Avenue	New York, NY 10010	NY	Torrance	7987	Т	Cleaning Solvents	3	478	475	475	LACT, LATC	No ABC response, item expensed for own use	Y	
37	10/24/19	97 10344380	GLOBAL OFFICE SUPPLY	2900 1 St. Avenue	New York, NY 10010	NY	Torrance	8218	Т	Gloves		1,854	1,783	1,783	LACT, LATC	No ABC response, item expensed for own use	Y	_
38	2/18/19	97 61907304	MARSHALL INDUSTRIES	4001 S Wright Rd.	Janesville, WI 53547-5004	w	Torrance	6121	Т	Office Supplies		1,535	1,507	1,507	LACT, LATC	Item Expensed for own use	₩,	4
39	3/31/19	97 61966941	MARSHALL INDUSTRIES	4001 S Wright Rd.	Janesville, WI 53547-5004	w	Torrance	6544	Т	SOLDER SYSTEM	М	481	459	459	LACT, LATC	Item Expensed for own use	₩,	4
40	6/30/19	97 61977152	MARSHALL INDUSTRIES	4001 S Wright Rd.	Janesville, WI 53547-5004	w	Torrance	6716	Т	SOLDER SYSTEM	М	1,351	1,351	1,351	LACT, LATC	Item Expensed for own use	┤	4
41	9/30/19	97 62036983	MARSHALL INDUSTRIES	4001 S Wright Rd.	Janesville, WI 53547-5004	w	Torrance	7265	Т	SOLDER SYSTEM	М	1,501	1,501	1,501	LACT, LATC	Item Expensed for own use	<u> </u>	4
42	11/28/19	97 62080403	MARSHALL INDUSTRIES	4001 S Wright Rd.	Janesville, WI 53547-5004	w	Torrance	7311	Т	SOLDER SYSTEM	М	491	491	491	LACT, LATC	Item Expensed for own use	₩ <u>`</u>	4
43	12/2/19	97 62158709	MARSHALL INDUSTRIES	4001 S Wright Rd. 5000 Apollo Rd., PO BOX	Janesville, WI 53547-5004	w	Torrance	7500	Т	SOLDER SYSTEM	М	759	759	759	LACT, LATC	Item Expensed for own use	₩ <u>`</u>	4
44	3/31/19	97 802316	TECHNOLOGY TOOL INC.	900 5000 Apollo Rd., PO BOX	Plymouth , PA 19462	PA	Torrance			Software		138	138	138	LACT, LATC	Item Expensed for own use	 '	1
45	6/30/19	97 801538	TECHNOLOGY TOOL INC.	900 5000 Apollo Rd., PO BOX	Plymouth , PA 19462	PA	Torrance		\sqcup	RAM		1,200	0	0	NONE	Tax accrued by taxpayer	 '	1
46	9/30/19	97 802346	TECHNOLOGY TOOL INC.	900	Plymouth , PA 19462	PA	Torrance		Ш	Cable		5	5	5	LACT, LATC	Item Expensed for own use	ЩY	4
47	12/31/19	97 803387	TECHNOLOGY TOOL INC.	5000 Apollo Rd., PO BOX 900	Plymouth , PA 19462	PA	Torrance			Software		918	902	902	LACT, LATC	Item Expensed for own use	<u> </u>	/
48	3/25/19	97 879536	WYLE ENGINEERING	1400 Borregas Ave.	Palm Coast, FL 32135	FL	Torrance	6517	Т	ISO Logic Forms Software		644	644	644	LACT, LATC	Item Expensed for own use	4	4
49	3/28/19	97 882381	WYLE ENGINEERING	1400 Borregas Ave.	Palm Coast, FL 32135	FL	Torrance	6519	Т	Activator	natio	897	897	897	LACT, LATC	Item Expensed for own use	<u> </u>	4
50	3/28/19	97 882373	WYLE ENGINEERING	1400 Borregas Ave.	Palm Coast, FL 32135	FL	Torrance	6530	Т	View Logic Schem Software	iatic	900	900	900	LACT, LATC	Item Expensed for own use	<u> </u>	4
						_			Н								4	_
									Ш	TOTAL		31,697	24,763	24,763			4	_
																	TT	T

Note: 1

Auditors can justify columns to make worksheet more presentable and do not have to conform with template default.

Note: 2

Schedules should be printed on legal size (8.5 x 14) or larger to conform to 0302.08.

Note: 3

All exhibits in this chapter were prepared using the audit macro package in Excel. In order to efficiently utilize the district tax pivot table, district tax measure should be scheduled as shown in the example above

Date:

AUDIT MANUAL

SUMMARY OF PURCHASES SUBJECT TO USE TAX BY PAGE TOTAL

EXHIBIT 6

QUESTIONED EX-TAX PURCHASES OF CONSUMABLE SUPPLIES - TEST OF 1997 PAGE TOTAL

SCHEDULE: 12Y-1 page 3 of 3
PERMIT SR AC 12-121212
AUDITOR J.C. Conlon
DATE 09/09/1999

	A B		С	D	E	F	G	Н
							1	
PG	LINE START	LINE END	AMOUNT QUESTIONED	AMOUNT TAXABLE	DISTRICT MEASURE			
1	1	32	17,080	11,499	11,499			
2	33	50	14,617	13,264	13,264			
	TOTAL		31,697	24,763	24,763			

Note:

This schedule was generated using a pivot table. Using pivot tables will not allow the period codes to be in the prescribed format of 1Q-96, 2Q-96, etc.

SUMMARY OF DIFFERENCES

[414-A2]

EXHIBIT 7

SUMMARY OF DIFFERENCES

SCHEDULE	12
PERMIT	12-121212
AUDITOR	J.C.Conlon
DATE	10/01/1999

	Α	В	С	D	Е	F	G	Н
		<12R>	<12S>	<12T>	<12U>	<12V>	<12W>	SUM(BG)
			PURCHASES					MEASURE OF
		TOTAL	SUBJECT TO			INTERSTATE		STATE AND
REF	PERIOD	SALES	USE TAX	RESALES	LABOR	COMMERCE	BAD DEBTS	COUNTY TAX
1	3Q-98	325	536	490	588	495		2,434
2	4Q-98	1,760	729	701	449	1,420		5,059
3	1Q-99	615	910	591	205	835	3,468	6,624
4	TOTAL	2,700	2,175	1,782	1,242	2,750	3,468	14,117

<414A-1>

 Note:

A separate schedule is required for each area of non-compliance. This schedule is used for upload purposes and should be superseded and placed in the back of the AWP's.

INDEX TO AUDIT WORKING PAPERS

[BOE-495] EXHIBIT 8

State of California

Board of Equalization

INDEX TO AUDIT WORKING PAPERS

Auditor Date 10/01/1999 J.C. Conlon Permittee Account Number: **ABC Company** SR AC 12-121212 (X) WORKSHEET TITLE OF SCHEDULE **SCHEDULE PAGES** If Copy NUMBER NAME FROM то To T.P. SUMMARY OF DIFFERENCES 12 414-A2 YES 7 TOTAL SALES SUMMARY (EX-TAX) 1 1 1 2 9 1A 1A RECORDED SALES 10 MARK-UP ANALYSIS - TAXABLE 1B **SALES** 11 1B 1C UNRECORDED SALES 1C 12 1 UNRECORDED SALES OF CAPITAL 1D 1D ASSETS 13 1E 1E SALES TO EMPLOYEES 1 14 FEDERAL INCOME TAX RETURNS FOR 1F **CORPORATIONS** 1F 15 1 2 PURCHASES SUBJECT TO USE TAX 2 2 SUMMARY 16 1 2 TRANSFERS FROM EX-TAX INVENTORY 2A FOR OWN USE 2A 17 ADDITIONAL CONSUMABLE SUPPLIES SUBJECT TO USE TAX - AUDIT PERIOD 2BP.1 2B 2 18 1 QUESTIONED EX-TAX PURCHASES OF 2B1 **CONSUMABLE SUPPLIES - AUDIT PERIOD** 2B-1 18A 4 SALES FOR RESALE SUMMARY 4 1 2 19 PERCENTAGE OF DISALLOWANCE 4A 4A 20 QUESTIONED CLAIMED RESALE SALES -4A-1P1 STATISTICAL SAMPLE 4A-1 2.1 XYZ LETTER 21 1 4A-1a SAMPLE BASE FOR RESALE TEST-4A-1P2 STATISICAL SAMPLE 4A-2 22 4B STAT SAMPLE EVALUATION 4B 1 23 6 LABOR SALES SUMMARY 6 1 24 6A Quarterly Analysis of Disallowed Labor Sales 1 6A 25 6AP2 District Analysis of Labor Sales Disallowances 1 6A 2 26 QUESTIONED CLAIMED LABOR SALES -6A-1 **AUDIT PERIOD** 27 6A-1 1 INTERSTATE AND FOREIGN 8 COMMERCE 8 28 BAD DEBTS SUMMARY 10 10 1 29 SALES TO AIRCRAFT COMMON 16 **CARRIERS** 30 16 A8.1 A8.1 BART TAXABLE MEASURE SUMMARY 1 31 DISALLOWED RESALES SUBJECT TO 8.1A **BART TAX** 8.1A 32 PERCENTAGE OF DISALLOWANCE OF A8.1A-1 RESALES SUBJECT TO BART TAX 33 A8.1A-1 A8.2 LACT TAXABLE MEASURE SUMMARY A8.2 1 34 DISALLOWED RESALES SUBJECT TO A8.2A LACT TAX 35 A8.2A PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO LACT TAX A8.2A-1 A8.2A-1 36

Audit Manual Exhibit Number

Ξ

Page 1 of **EXHIBIT**

N 9

Line 6>

9

10

11

12

13 14

15 16

17

18

SCHEDULE	1 page 1 of 2
PERMIT	SR AC 12-121212
AUDITOR	J.C. Conlon
DATE	10/01/1999

	Α	В	С	D	E	F	G	Н	I	J	K	L	М	N
		<1A>	<1C>	<1D>	<1E>	(B+C+D+E)	<414>	(F-G)					(J+K+L)	<6>
										ANA	LYSIS OF I	DIFFERENCI		
				SALES OF						UNRECORDED	SALES OF			
RE		RECORDED	UNRECORD	FIXED	SALES TO	AUDITED				MATERIAL	FIXED	SALES TO		CONTRA
F	PERIOD	SALES	ED SALES	ASSETS	EMPLOYEES	SALES	REPORTED SALES	DIFFERENCE		SALES	ASSETS	EMPLOYEES	TOTAL	LABOR
1	3Q-98	58,695			325	59,020	58,695	325		•	•	325	325	
2	4Q-98	61,354		1,600	160	63,114	61,354	1,760			1,600	160	1,760	
3	1Q-99	49,954	900		215	51,069	49,954	1,115		400		215	615	-500
4	TOTAL	170,003	900	1,600	700	173,203	170,003	3,200	•	400	1,600	700	2,700	-500
5			·		·	-		.		*	*	*	<414-A2>	<contra< td=""></contra<>

VERIFICATION COMMENTS

TOTAL SALES SUMMARY (EX-TAX)

TYPES OF TRANSACTIONS

The taxpayer is a retailer of electrical supplies with a machine shop for making customized parts for special orders. Some repair work is done. The taxpayer has two locations: Los Angeles and San Francisco. Sales are recorded and reported on the accrual basis and sales tax reimbursement is added to the selling price of materials sold.

SOURCE OF DATA, AUDIT PERIOD

General ledger, sales journal, cash receipts journal, general journal, sales tax returns, and other related documentation.

VERIFICATION AND FINDINGS

Sales are initially recorded by the taxpayer at the time of sale on numerically sequenced invoices. The invoices were hand posted to a manually prepared sales journal through December 1998. Beginning January 1999, the taxpayer posted sales invoices to a computer generated sales journal. Both the hand and computer generated sales journals segregated sales by type of sale; Taxable, resale, repair, labor, U.S. Government, and interstate commerce. Separate sales journals are prepared for each location and are combined when posted to the general ledger.

Copy to Taxpayer Date:

The * referenced above refers to the upload schedule and is to be broken out by separate non-compliance codes.

Note:

REF

TOTAL SALES SUMMARY (EX-TAX)	SCHEDULE 1
	PERMIT
	AUDITOR

Α	В	С	D	E	F	G	Н	I	J	K	L	
												<u> </u>

page 2 of 2

12-121212 J.C. Conlon 10/01/1999

VERIFICATION AND FINDINGS - Continued

Total sales were transferred from the sales journal on <1A>. Sales invoices were traced into the sales journal for two complete recording cycles: July 1998 and January 1999. One unrecorded sale was noted <1C>. No recurring errors were indicated so no further examination was done.

Sales journal totals were traced to the general ledger for the audit period. No errors were noted.

DATE

The general journal and capital asset accounts were examined in detail for the entire audit period. One ex-tax sale was disclosed and scheduled on <1D>.

A markup analysis was done on taxable sales <1B> resulting in a 65.16% mark-up. This was considered adequate for this type of business. Recorded sales were accepted with the above exceptions.

Total sales reported were reconciled with total sales per the 1998 federal income tax return on <1F>. No material differences were disclosed and no unreported sales were indicated.

Total sales do not include sales tax which is accrued in the general ledger. Examination of the accrual account did not disclose any excess sales tax reimbursement or unreported taxable sales.

The taxpayer's business was closed from January 17, 1999 through January 25, 1999 due to labor troubles.

RECORDED SALES

[1A] EXHIBIT 10

RECORDED SALES

SCHEDULE	1 A
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/25/1999

	Α	В	С	D	Е	F	G	Н
		<======	=======	<sales j<="" th=""><th>OURNAL>====</th><th>=====></th><th>SUM (BF)</th><th></th></sales>	OURNAL>====	=====>	SUM (BF)	
REF	PERIOD	TAXABLE <extax></extax>	RESALE	U.S. GOV'T	INTERSTATE COMMERCE	LABOR	TOTAL	
1								
2	JULY	13,007	3,133	350	140	695		
3	AUG	18,003	2,076	180	620	478		
4	SEP	16,015	3,163	420	40	375		
5	3Q-98	47,025	8,372	950	800	1,548	58,695	
6								
7	OCT	19,273	2,486	389	900	710		
8	NOV	16,236	2,874	576	1,140	208		
9	DEC	8,334	5,999	435	1,580	214		
10	4Q-98	43,843	11,359	1,400	3,620	1,132	61,354	
11								
12	JAN	9,209	2,157	675	1,865	452		
13	FEB	11,765	3,868	200	420	617		
14	MAR	13,376	4,072	545	525	208		
15	1Q-99	34,350	10,097	1,420	2,810	1,277	49,954	
16	TOTAL	125,218	29,828	3,770	7,230	3,957	170,003	
17		<1B>	<1B>	<1B>	<1B>	<6>	<1>	
18			<4>		<8>			
19		•	<a11.1a-1></a11.1a-1>					
20		•	<a11.1a-2></a11.1a-2>					
21								

22

24 25

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Instructional Note:

In general, figures and other data from the taxpayer's records should not be transcribed to the audit working papers without good reason. However, for illustration purposes a summary schedule of recorded sales has been prepared for this sample audit.

28 29 30

MARKUP ANALYSIS [1B EXHIBIT 11

MARK-UP ANALYSIS - TAXABLE SALES

SCHEDULE	1B
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/21/1999

L	Α	В	С	D	Е	F	G	Н
ſ		1						07/04/4000
								07/01/1998 to
REF								3/31/1999
1								
2	<1A>	TAXABLE	SALES (E	XTAX)				125,218
3								
4	*	COST OF	SALES				112,932	
5		1500,00		LEC @ 400/	/ MADI/ II	n		
6 7	<1A>	RESALE		LES @ 10%	29,828	۲		
8	<1A>	U.S. GO			3,770			
9	<1A>		TATE CO	MMERCE	7,230			
10	1111				40,828	X .909090	37,116	
11					,		,	
12	(Line 4-10)	COST OF	TAXABLE	SALES				75,816
13								
14	(Line 2-12)	GROSS P	ROFIT					49,402
15								
16	(Line 14/12)	MARK-UP)					65.16%
17		.						
18	*	Beginning	=	00.00	44 707	0		
19		Total Purc	:nases:	3Q-98 4Q-98	41,787			
20 21				4Q-96 1Q-99	42,470 34,008	118,265		
22		Less: End	ina Invent		34,000	-5,333		
23		Cost of	•	51 y		112,932	•	
24						<line 4=""></line>	•	
25		Comment	ts					
26		Discussion	n with sale	s manager i	ndicated th	nat sales for re	esale, U.S. G	ov't, and
27		Interstate	sales were	e made at co	nsierably	less mark-up	than taxable	sales. He
28		estimated	that the av	verage mark	-up on the	se sales was	10%. A test of	of a few
29		invoices s	ubstantiate	ed the estim	ate. Cost c	of these sales	has been elir	minated at
30			•	that a comp	outation co	uld be made o	of the mark-u	p on taxable
31		sales as a	bove.					

UNRECORDED SALES

[1C] EXHIBIT 12

UNRECORDED SALES

29

SCHEDULE	1C
PERMIT	12-121212
AUDITOR	J.C Conlon
DATE	09/21/1999

r				1				
ļ	A	В	С	D	E	F	G	Н
ſ				I				
	INVOICE	INVOICE						
REF	DATE	NUMBER	CUSTOMER		DESCRIPTION			AMOUNT
1		-		•				
2	01/07/1999	2727	Peter Gabriel		Repairs and ad	ditions to		
3			1007 Sledgehammer Blvd.		interoffice com			
4			San Francisco		system.			900
5								<1>
6								
7		Comments						
8		In January	1999 the taxpayer changed ov	er from a hand po	sted to an auton	nated account	ting	
9		system. Ol	bvious posting and recording ϵ	errors were made (during the chang	eover. Journ	al	
10		entries wer	e prepared to adjust for the er	rors, however, an	invoice which ha	d not been re	corded	
11		was over lo	oked. In view of the nature of	the error and the	quality of interna	l control prese	ent,	
12		the error wa	as considered non-recurring.					
13								
14								
15				Invoice Bre	<u>eakdown</u>			
16								
17				Material	400	<a8.1></a8.1>		
18				Labor	500	<6>		
19				Subtotal	900			
20				Tax on Material	34			
21				Total	934			
22								
23								
24								
25								
26								
27								
28								

UNREPORTED SALES OF CAPITAL ASSETS

[1D] EXHIBIT 13

UNRECORDED SALES OF CAPITAL ASSETS

SCHEDULE	1D
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/12/1999

	Α	В	С	D	Е	F	G	Н
						<u> </u>		
		JOURNAL						
D==	DATE	ENTRY					5.5	0.0
REF	DATE	REFERENCE					DR.	CR.
1	4.4.10.0.14.0.0.0	1.44.0	4 0 0 0 LINIT			55,410,50	4 000	
2	11/09/1998	J 11-6				REYNOLDS	1,600	
3				FOR DEPF			1,565	0.004
4				IVE EQUIP		20570		2,684
5			GAIN ON	SALES OF (CAPITAL AS	55E15		481
6			"TO DECO)	FT TO		
7					OF FORK LI	FIIO		
8 9			JACK REY	NOLDS.				
9 10			TAXABLE	A M O I I N T				1,600
11			IAAADLL	AWOUNT				<1>
12								<1>
13								
14		COMMENTS						
15		THE ABOVE SAL	FWASMA	DE BY TAX	PAYER'S S	AN FRANCIS	COLOCATION	THE
16		FORKLIFT WAS						
17		COMMON CARR					7 11 7 10 01111 1 2	D 11/1
18					0211 111 111 0	07.112.		
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								

SALES TO EMPLOYEES

[1E] **EXHIBIT** 14

SALES TO EMPLOYEES

SCHEDULE	1E
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/21/1999

	Α	В	С	D	Е	F	G	Н
			_	_	(C+D)	_		
			LOS	SAN				
REF	PERIOD	REFERENCE	ANGELES	FRANCISCO	TOTAL			
1	JULY	CR-6	90	26	116			
2	AUG	CR-12	78	20	98			
3	SEP	CR-19	80	31	111			
4	3Q-98		248	77	325			
5								
6	OCT	CR-25	50	25	75			
7	NOV	CR-34	20	28	48			
8	DEC	CR-39	25	12	37			
9	4Q-98		95	65	160			
10								
11	JAN	CR-42	55	15	70			
12	FEB	CR-46	71	30	101			
13	MAR	CR-51	31	13	44			
14	1Q-99		157	58	215			
15	TOTAL		500	200	700			
16		•	<a8.1></a8.1>	<a8.1></a8.1>	<1>			
47								

17 18

19

2021

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2324

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COMMENTS

The company has a policy of selling goods to employees out of resale inventory. Resale cards were issued for merchandise sold to employees. There was no misuse of resale certificates since the goods were intended to be resold when purchased. All employee sales are made for cash and are segregated between both of the locations in the cash receipts journal. The auditor advised the taxpayer that employee sales should be self-reported on future returns.

262728

29 30

RECONCILIATION WITH F.I.T.R.'S AND MARKUP ANALYSIS

[1F] EXHIBIT 15 Page 1 of 2

FEDERAL INCOME TAX RETURNS FOR CORPORATIONS

SCHEDULE 1F page 1 of 2
PERMIT SR AC 12-121212
AUDITOR J.C. CONLON
DATE 09/08/1999

	Α	В	С	D	Е
			7/1/97		
			to	1998	1999
REF			12/31/97		
1	GROSS RECEIPTS		120,050	840,350	882,368
2	BEGINNING INVENTORY			4,300	30,100
3	PURCHASES		82,998	580,986	610,035
4	COST OF LABOR				
5	OTHER COSTS				
6	ENDING INVENTORY		4,300	30,100	31,605
7	COST OF GOODS SOLD	(L2+L3+L4+L5-L6)	78,698	555,186	608,530
8	GROSS PROFIT	(L1-L7)	41,352	285,164	273,838
9	OTHER INCOME		1,600		
10	TOTAL INCOME	(L8+L9)	42,952	285,164	273,838
11	DEDUCTIONS:	, ,			
12	COMPENSATION TO OFFICER	S	12,000	60,000	63,000
13	SALARIES AND WAGES		15,000	75,000	78,750
14	REPAIRS AND MAINTENANCE		,	1,500	1,575
15	BAD DEBTS			25,000	26,250
16	RENTS			,,,,,,	,
17	TAXES AND LICENSES				
18	INTEREST			1,000	1,050
19	CHARITABLE CONTRIBUTIONS	3		300	315
20	DEPRECIATION		7,500	30,000	31,500
21	DEPLETION		.,000	15,505	16,280
22	ADVERTISING			3,450	3,623
23	PENSION, PROFIT-SHARING, E	XT		1,000	1,050
24	EMPLOYEE BENEFIT PROGRA			1,000	1,050
25	OTHER DEDUCTIONS	W C	512	2,048	2,150
26	TOTAL DEDUCTIONS	(L12:L25)	35,012	215,803	226,593
27	NET INCOME	(L10-L26)	7,940	69,361	47,245
		(2.0 220)	.,	00,001	,
28	GROSS RECEIPTS PER FITR	(L1)	120,050	840,350	882,368
	SALES TAX INCLUDED IN				
29	FITR GROSS RECEIPTS				
	EX-TAX GROSS RECEIPTS				
30	REPORTED TO BOE	(414-M)	120,049	840,351	882,367
31	DIFFERENCE	(L28-L29-L30)	1	-1	1

RECONCILIATION WITH F.I.T.R.'S AND MARKUP ANALYSIS

EXHIBIT 15 PAGE 2 OF 2

FEDERAL INCOME TAX RETURNS FOR CORPORATIONS

SCHEDUL	E 1F page 2 of 2
PERMIT	SR AC 12-121212
AUDITOR	J.C. CONLON
DATE	9/09/1999

	А	В	С	D	E	F	G
			•		•		(BF)
			7/1/97				
			to	1998	1999		
REF			12/31/97				TOTAL
1	TOTAL SALES EX-TAX		120,050	840,350	882,368		1,842,768
•	TO THE CHEED EX THE		120,000	0.10,000	002,000		1,012,700
2	COST OF GOODS SOLD		78,698	555,186	608,530		1,242,414
3	GROSS MARGIN	(L1-L2)	41,352	285,164	273,838		600,354
		, ,		,	•		,
1	MADIZUD	(12/12)	EO EE0/	E4 260/	4E 000/		40.220/
4	MARKUP	(L3/L2)	<u>52.55%</u>	51.36%	45.00%		48.32%

PURCHASES SUBJECT TO USE TAX SUMMARY

SCHEDULE	2
	SR AC 12-121212
AUDITOR	J.C. Conlon
DATE	09/09/1999

	Α	В	С	D	Е	F	G
			<2A>	<2B>	(C+D)		
			TRANSFERS	EX-TAX			
			FROM	PURCHASES			
REF	PERIOD		EX-TAX	FROM OUT OF			
1	3Q-98		261	275	536		·
2	4Q-98		251	349	600		
3	1Q-99		161	878	1,039		
4	TOTAL		673	1,502	2,175		
5		•	*	*	<414-A2>		

5 6 7

VERIFICATION COMMENTS

8 9 10

Types of Transactions

The taxpayer purchases some supplies from unregistered out-of-state vendors and also makes regular withdrawals for own use from ex-tax inventory.

11 12 13

Source of Data

14 15 16

Verification

The taxpayer maintains all vendor invoices in an alphabetical file by vendor.

Paid bills, general ledger, and general journal for the audit period.

17 18 19

20

Examined the purchases file on an actual basis since it contained all invoices for the audit period. Ex-tax purchases of expense items were scheduled on <2B>. Reported amounts on line 2 were purchases from a single, unregistered, out-of-state vendor.

21 22 23

24

The general ledger capital assets and expense accounts were reviewed for possible purchases subject to use tax. Withdrawals from ex-tax inventory for the taxpayer's own use were scheduled on <2A>. No additional purchases subject to use tax noted.

25 26 27

Findings

- 28 A) Withdrawals from ex-tax inventory for own use not reported. 29
 - B) Supply purchases from out-of-state vendors subject to use tax not reported.

30

Note:

The * referenced above refers to the upload schedule and is to be broken out by separate non-compliance codes.

Copy	to	Taxpayer
Date:		

TRANSFERS FROM EX-TAX INVENTORY FOR OWN USE

[2A] EXHIBIT 17

TRANSFERS FROM EX-TAX INVENTORY FOR OWN USE

SCHEDULE	2 A
PERMIT :	SR AC 12-121212
AUDITOR	J.C. Conlon
DATE	09/09/1999

	A	В	U	U	E	Г	G	п
						LOS	SAN	
REF	DATE	REFERENCE		DESCR	RIPTION	ANGELES	FRANCISCO	TOTAL
1	07/31/1998	J7-19	MISCELLA	NEOUS ELE	CTRICAL SUPPLIES	70	38	108
2	08/31/1998	J8-17		SAME		40	52	92
3	09/30/1998	J9-23		SAME		21	40	61
4	3Q-98					131	130	261
5								
6	10/31/1998	J10-17		SAME		16	38	54
7	11/30/1998	J11-20		SAME		15	14	29
8	12/31/1998	J12-28		SAME		50	118	168
9	4Q-98					81	170	251
10								
11	01/31/1999	J1-14		SAME			32	32
12	02/28/1999	J2-18		SAME		52	29	81
13	03/31/1999	J3-25		SAME		14	34	48
14	1Q-1999					66	95	161
15	TOTAL					278	395	673
16						<a8.2></a8.2>	<a8.1></a8.1>	<2>

QUARTERLY ANALYSIS OF CONSUMABLE SUPPLIES

[2B] **EXHIBIT 18A** Page 1 of 2

ADDITIONAL CONSUMABLE SUPPLIES SUBJECT TO USE TAX - AUDIT PERIOD

SCHEDULE	2B page 1 of 2
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/09/1999

Α	В	С	D	E	
		<2B-1>	<2B-1>		
		QUESTIONED SUPPLY PURCHASES	ADDITIONAL TAXABLE SUPPLY PURCHASES	ADDITIONAL TRANSIT TAX MEASURE	
		Data			
Years	DATE	Sum of AMOUNT QUESTIONED	Sum of AMOUNT TAXABLE	Sum of DISTRICT MEASURE	
1998	Qtr1				
	Qtr2				
	Qtr3	293	275	275	
	Qtr4	371	349	349	
1999	Qtr1	878	878	878	
	Qtr2				
	Qtr3				
	Qtr4				
Grand 7	Γotal	1,542	1,502	1,502	
		_	<2>		

> Copy to Taxpayer Date: _____

January 2000

 ADDITIONAL CONSUMABLE SUPPLIES SUBJECT TO USE TAX - AUDIT PERIOD BY DISTRICT

SCHEDULE 2B page 2 of 2
PERMIT 12-121212
AUDITOR J.C. Conlon
DATE 09/09/1999

	Α	В	С	D	E	F	G	ŀ
			<	<2	B-1>	>		
REF			LACT	LATC	BART	SFTA	SFPF	
1		<u> </u>	Data			•		
2	Years	DATE	Sum of LACT	Sum of LATC	Sum of BART	Sum of SFTA	Sum of SFPF	
3	1998	Qtr1						
4		Qtr2						
5		Qtr3	190	190	85	85	85	
6		Qtr4	109	109	240	240		
7	1999	Qtr1	749	749	129	129	129	
8		Qtr2						
9		Qtr3						
10		Qtr4						
11	Grand To	otal	1,048	1,048	454	454	454	
12			<a8.2></a8.2>		<a8.1></a8.1>			

<A8.2> <A8.1>

Note:

LATC,SFTA & SFPF are not referenced in this example.

U I¥			CHASES OF AUDIT PERIOD		SCHEDULE PERMIT SR A	C 12	2B-1 !-121212	-								+	+
	SUMABLE	SUFFLIES -	AUDII PERIOD		AUDITOR		. Conlon										t
					DATE		9/09/99										Į
_	A	В	С	D	E	F	G	Н	I J	K	L	М	N	0	P	QR	S
REF	DATE	INVOICE NUMBER	VENDOR	STREET	CITY, STATE,ZIP	SHIP FROM		PO NUMBER	PO STATUS PC IS SHED	ITEM	AMOUNT QUESTIONE D		DISTRICT MEASURE	DISTRICT CODE		ABC SENT	1164 SENT
	07/13/1998	42379	AAA CORP BOWER	1000 Meyer Lane	El Monte, CA 91731	CA	Torrance	6131	Υ	Business Cards	190	190	190	LACT, LATC	No misuse of resale card indicated. Taxpayer purchases other items for	\coprod	ļ
2	07/25/1998	46604	MANUFACTURING	100 Mayer Street	El Monte, CA 91731	CA	Torrance San			Business Cards	18	0		LACT, LATC BART,SFTA,SFP	No Resale Card provided	\parallel	у
3	09/03/1998	1727	B & R INC.	3225 N. Century Plaza	Phoenix, AZ 85012 Redondo Beach, CA	ΑZ	Francisco			Brochures	85	85			Item Expensed for own use No misuse of resale card indicated.	Y	ļ
ļ	11/17/1998	27234	CAL PRINTING	706 Peck Road	90278 Redondo Beach, CA	CA	Torrance San	6868	Υ	Forms	109	109		LACT, LATC	Taxpayer purchases other items for P No misuse of resale card indicated.	\perp	ļ
5	12/08/1998	27328	CAL PRINTING	706 Peck Road	90278 Redondo Beach, CA	CA	Francisco	6900	Υ	Forms	140	140		, ,	Taxpayer purchases other items for No misuse of resale card indicated.	\coprod	ļ
3	12/10/1998	27491	CAL PRINTING	706 Peck Road	90278	CA	Torrance San	6933	Υ	Forms	22	0		LACT, LATC	Taxpayer purchases other items for P No tax reported by vendor per ABC	$\!$	ļ
	12/14/1998	274222201	DELUXE STATIONARY	BOX 99031	Milwaukee, W1 53288	WI	Francisco San			Folders	100	100	100	F	letter No tax reported by vendor per ABC	Υ	ļ
1	01/07/1999	279505001	DELUXE STATIONARY	BOX 99031	Milwaukee, WI 53288	WI	Francisco			Folders	129	129			letter No tax reported by vendor per ABC	Υ	ļ
)	01/24/1999	298276701	DELUXE STATIONARY MARSHALL	BOX 99031	Milwaukee, W1 53288	WI	Torrance		\perp	Binders	200	200	200	LACT, LATC	letter No misuse of resale card indicated.	Υ	ļ
0	01/25/1999	1997	INDUSTRIES WYLE COMPUTER	3000 Malt Ave.	Commerce, CA 90040	CA	Torrance	6868		FORMS Computer & Office	150	150	150	LACT, LATC	Taxpayer purchases other items for	\coprod	ļ
1	02/20/1999	1308	COMPANY WYLE COMPUTER	25 Illinois Blvd.	Schaumburg, IL 60194	IL	Torrance	6399		Supplies Computer & Office	160	160	160	LACT, LATC	Item Expensed for own use	Υ	ļ
2	02/28/1999	1490	COMPANY WYLE COMPUTER	25 Illinois Blvd.	Schaumburg, IL 60194	IL	Torrance	6476	\perp	Supplies Computer & Office	130	130	130	LACT, LATC	Item Expensed for own use	Y	ļ
3	03/30/1999	1678	COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	IL	Torrance	6571		Supplies	109	109	109	LACT, LATC	Item Expensed for own use	Y	ļ
	Comme	ents:									1,542	1,502	1,502			+	ļ
	allowed	adequate tir	r the audit period were exa ne to obtain "ABC" letters.	Use tax was assessed o								<2B>	<2B>			+	F
ļ	or when	no respons	was received from an "AE	C" inquiry.													Ļ

SALES FOR RESALE SUMMARY

[4] **EXHIBIT 19** PAGE 1 OF 2

SALES FOR RESALE SUMMARY

SCHEDULE	4 page 1 of 2
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	Α	В	С	D	E	F	G	Н	I
		<1A>	<4A>	(BxC)	(B-D)	<414>	(F-E)		
			RESA	LE SALES				ANALYSIS OF	DIFFERENCE
									ERRORS IN
		RECORDED	PERCENTAGE OF	DISALLOWED	AUDITED	CLAIMED		DISALLOWED	PREPARING
REF	PERIOD	RESALES	DISALLOWANCE	RESALES	RESALES	RESALES	DIFFERENCE	RESALES	RETURNS
1	3Q-98	8,372	5.85%	490	7,882	8,372	490	490	0
2	4Q-98	11,359	5.85%	665	10,694	11,395	701	665	36
3	1Q-99	10,097	5.85%	591	9,506	10,097	591	591	0
4	TOTAL	29,828		1,746	28,082	29,864	1,782	1,746	36
5	•						<414-A2>	*	*

6 7

VERIFICATION COMMENTS

9

Types of Transactions

Sales for resale are mainly to electrical supply and hardware retailers.

10 11 12

13

Source of Data

Sales journal, sales invoices, customer P.O.'s, resale card file, and other related documentation for the audit period.

14 15 16

17

18

Verification and Findings

A stat sample was made of sales for resale. The sample size was calculated based on the results of the block sample used in the prior audit <4B-1>. The sample was selected using the Board's P.C. random sample program.

19 20 21

22

23

Sample invoices, amounts and questioned transactions are scheduled on <4A-1 page 1>. Resales were traced to resale cards maintained by the taxpayer. The taxpayer was able to establish that most of the questioned transactions were valid sales for resale. A percentage of disallowance (5.85%) was calculated on <4A>.

24 25 26

A portion of the disallowed resales were the result of a transposition error by the taxpayer when preparing the 4Q-98 return.

27 28 29

30

Note: 1

Schedule 4B-1, "Calculation of Sample Size", is not shown in this sample audit. For an example of the sample size calculation, see Chapter 13, Exhibit 13.

Note: 2

The * referenced above refers to the upload schedule 12 and is to be broken out by separate non-compliance codes.

Copy to	Taxpayer
Date:	

SALES FOR RESALE SUMMARY

EXHIBIT 19
PAGE 2 OF 2

Disallowed Sales for Resale By District

SCHEDUL	E 4 page 2 of 2
PERMIT	SR AC 12-121212
AUDITOR	J.C. Conlon
DATE	09/09/1999

	Α	В	С	D	E	F	G	Н
			<4A-1>	<4A-1>	<4A-1>	<4A-1>	<4A-1>	<4A-1>
REF			LACT	LATC	BART	SFTA	SFPF	NO TRANSIT TAX
1		T	Data					
2	Years	DATE	Sum of LACT	Sum of LATC	Sum of BART	Sum of SFPF	Sum of SFTA	Sum of NONE
3 4	1998	Qtr1 Qtr2						
5		Qtr3	33	33	60	60	60	0
6		Qtr4	29	29	24	24	24	37
7 8 9 10	1999	Qtr1 Qtr2 Qtr3 Qtr4	44	44				124
11	Grand Tot	tal	106	106	84	84	84	161
12			<a8.2></a8.2>		<a8.1></a8.1>			

Note:

As part of the pivot table process a column will be generated (column H). This happens when there is no description on the auditors worksheet under district taxes.

PERCENTAGE OF DISALLOWANCE

[4A] **EXHIBIT 20**

PERCENTAGE OF DISALLOWANCE

SCHEDULE	4 A
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	Α	В	С	D	Е	F	G	Н
		<4A-2>	<4A-1>	(C/B)				
				PERCENTAGE				
		RESALES	DISALLOWED	OF				
REF		TESTED	RESALES	DISALLOWANCE				

3	<u>-</u>	<a8.1a-1></a8.1a-1>		<4>
2	TOTAL	6,007	351.00	5.85%

<A8.2A-1>

	CLAIMED RESAL	E SALES -		SCHEDULE: 4A-1		-	-		-			-		+
ATISTICAL S	SAMPLE			SR AC 12-121212										+
				J. C. Conlon 09/03/99			_							+
				09/03/99	_									+
Α	В	С	D	Е	F	G	Н	ı	J	К	L	М	N	7
														T
F DATE	SALES INVOICE NUMBER	CUSTOMER NAME TURNER'S TOOL	STREET	CITY, STATE,ZIP	SHIP TO	PO NUMBER	PO	ITEM	AMOUNT QUESTIONE D	AMOUNT TAXABLE	DISTRICT MEASURE		COMMENT	Figure
1 08/09/19	998 195	co.	3434 Arrow Highway	Santa Ana, CA 92708				Envelopes	82	C	0	NONE	Resale card located	
2 09/11/19	998 239	OVERLAKE PRESS INC.	3433 Rosewood Road	Compton, CA 90221		C0012345		Holiday Greeting Cards	30	30	30	LACT, LATC	XYZ states taxable	
3 09/18/19	998 242	MESSENGER TOOLING, INC	22323 Washington Blvd	San Francisco, CA 94420				Signs	60	60	60	BART,SFTA,SF PF	No response to XYZ	
4 10/21/19	998 243	COLOR SERVICE INC.	3433 Hollywood Blvd	North Hollywood, CA 91606		CAL-130547		Transparency	3	3	3 3	LACT, LATC	No response to XYZ	
5 10/27/19	98 245	RALPH & COMPANY	3434 Long Arrow	Mojave, CA 93503				Brass Hardware	37	37	37	NONE	XYZ states taxable	
		GREEN	2345 West Bridgeport			ABC122014								7
6 11/01/19		GREEN	Road 2345 West Bridgeport	Los Angeles, CA 90026		ABC123014		Silver Foam Covers	46			NONE	XYZ states resale	\dagger
7 11/05/19		CORPORATION HOLLYWOOD &	Road	Los Angeles, CA 90026		ABC123612	+	Hangers	28			NONE	XYZ states resale	+
8 11/09/19	998 280	VEGA HOLLYWOOD &	4544 W. Industry Way	San Diego, CA 92101		REF4551002	NT	Solvents	86	C	0	NONE	Resale card located	+
9 11/11/19	998 294	VEGA HOLLYWOOD &	4544 W. Industry Way	San Diego, CA 92101		REF4551125	NT	Light Bulbs	62	C	0	NONE	Resale card located	4
10 11/12/19	998 350	VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4551300	NT	Polishing Cream	20	C	0	NONE	Resale card located	_
11 11/15/19	998 362	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4551456	NT	Miracle Wax	29	C	0	NONE	Resale card located	
12 11/16/19	998 372	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4562011	NT	Paint Remover	84		0	NONE	Resale card located	
13 11/18/19	998 386	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4563007		Gloves	21	C) 0	NONE	Resale card located	I
14 11/19/19	98 412	LITTLE GUY INC.	5678 Fashion Center Blvd	New York, NY 67890	New York			Paint Remover	22		0	NONE	Supported by Bill of Lading	
15 11/20/19		YOUSEFFIA FASHIONS	4544 42nd Lane	Santa Ana, CA 92708	1000 1000	Y97987		Hangers	12			NONE	XYZ states resale	T
13 11/20/18	790 423	PASHIONS	4344 4210 Lane	Santa Ana, CA 92700		197907		riangers	12		, ,	NONE	X12 states resale	7
20 02/04/40	200 000	HOLLYWOOD &	4544 W. Industry W.	C Di CA 00404		DEE4500570	N.T	Deliabia - Mhaala	445			NONE	Danala and landad	7
36 03/21/19		VEGA	4545 West Industry	San Diego, CA 92101		REF4563578	NI	Polishing Wheels	115			NONE	Resale card located	\forall
37 03/22/19	999 699	BIG BUSINESS INC. HOLLYWOOD &	Drive	Los Angeles, CA 90021		123789456		Business Cards	44	44		LACT, LATC	XYZ states taxable	+
38 03/25/19	999 702	VEGA HOLLYWOOD &	4544 W. Industry Way	Mojave, CA 93502		REF4547900	NT	Trays	64	64	64	NONE	XYZ states taxable	\dashv
39 03/27/19	999 784	VEGA HOLLYWOOD &	4544 W. Industry Way	San Diego, CA 92101		REF4564000	NT	Miracle Wax	35	C	0	NONE	Resale card located	4
40 03/27/19	999 791	VEGA	4544 W. Industry Way 5678 Fashion Center	San Diego, CA 92101		REF4577891		Brochures	100	C	0	NONE	Resale card located	4
41 03/28/19	999 805	LITTLE GUY INC.	Blvd	New York, NY 67890	New York			Paint Remover	76	C	0	NONE	Supported by Bill of Lading	
42 03/29/19	999 816	YOUSEFFIA FASHIONS	4544 42nd Lane	Santa Ana, CA 92708		Y97987		Hangers	50	c	0	NONE	XYZ states resale	
43 03/30/19	999 866	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4578012		Business Cards	40	c	0	NONE	Resale card located	
44 03/30/19	999 867	HOLLYWOOD & VEGA	4544 W. Industry Way	San Diego, CA 92101		REF4578124		Polishing Cream	38		0	NONE	Resale card located	
45 03/30/19		YOUSEFFIA FASHIONS	4544 42nd Lane	Santa Ana, CA 92708		Y98783		Hangers	165			NONE	XYZ states resale	1
-0 03/30/18	,00,000	7.0110140	TOTT TENU LANG	Cana Ana, OA 32700		130703		i iungera	1,470				A12 states resait	٦
							+		1,470	351				\dashv
+							+				<4A>			\dashv
				Conv	to Taxe	aver								

Copy to Taxpayer Date:

AUDIT WORKING PAPERS

SALES FOR RESALE TEST — STATISTICAL SAMPLE

Ехнівіт **21** PAGE 2 OF 2

BOE 504-CUS (1-97)

ABC COMPANY

STATE OF CALIFORNIA **BOARD OF EQUALIZATION**

STATEMENT CONCERNING PROPERTY PURCHASED WITHOUT PAYMENT OF CALIFORNIA SALES TAX

NAME OF SELLER FROM WHOM YOU PURCHASED ITEMS WITHOUT SALES TAX

PURCHASE

INVOICE

DMA	AC
Auditor's Initials	J.C.

SELLER'S PERMIT NO.

SR AC 12-121212

Please complete this inquiry statement to indicate the disposition of certain non-taxed purchases you made from the seller listed below. Please fill out the form completely, check the appropriate boxes, and sign as your company's authorized representative. The form should be returned within 10 days.

DATE		INVOICE NUMBER	PURCHASE ORDER NUMBER	AMOUNT		DESCRIPTION			
C	9/11/1998	239	C0012345	30	НО	LIDAY GREETING CARDS			
Ple	ase check th	e appropriate bo	oxes below. If n	one of these ap	ply, ple	ase explain below.			
	not used fo		other than reter			n the form of tangible personal property. It was or display while being held for sale in the			
	The above property was purchased for resale and is presently in resale inventory. It has not been used for any purpose other than retention, demonstration, or display while being held for sale in the regular course business.								
		property was p with our sales to		easing and tax r	measur	red by rental receipts has been paid directly to			
	The above property was purchased for resale to the United States Government. In accordance with the title provisions of the U.S. Government supply contract, the U.S. Government took title to the property prior to any use of the property by us.								
Ø	The above tax in the period	property was p he amount of _	urchased for o	ur own use and s paid directly t	I not fo to the E	r resale, and Board with our sales tax return for the reporting			
		he amount of _	wa	s added to the	dded to the billing and remitted to the Seller.				
	★ the pure t	chase is a taxa	ble transaction	and tax is app	licable				
COM	IMENTS								
NIA.	TURE OF BUSINESS								
		íxture Retailer	•						
PURCHASER'S SALES TAX PERMIT NUMBER			PURCHASER'S		-				
SR AB 11-121212 SIGNATURE			TITLE	S.T. Vega					
Sic	S.7. Vega			11166	Owne	r			
DA			PHONE	1	CITY				
8/12/1999 (3		(310) 55	55-4 <i>5</i> 45		Torrance				

SAMPLE BASE [4A-2] EXHIBIT 22

SAMPLE BASE FOR RESALE TEST- STATISICAL SAMPLE

SCHEDULE	4A-2
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

[A	В	B C D		E F G H				
[Sample								
	Invoice	Invoice	Amount						
REF		Amount	Questioned	Comments					
1	101	26.00		(1)					
2	109	46.00		(1)					
3	177	100.00		(1)					
4	179	75.00		(1)					
5	195	82.00	82.00	See Sch <4A-1>					
6	199	26.00		(1)					
_ 7	200	44.00		(1)					
8	218	85.00		(1)					
9	222	12.00		(1)					
10	234	6.00		(1)					
11	236	69.00		(1)					
12	239	30.00	30.00	See Sch <4A-1>					
13	242	60.00	60.00	See Sch <4A-1>					
14	243	3.00	3.00	See Sch <4A-1>					
15	245	37.00	37.00	See Sch <4A-1>				1	
16	257	46.00	46.00	See Sch <4A-1>	Note	:			
17	270	11.00	10.00	See Sch <4A-1>	NI - 4 -	11 4 4	•	-1 1 - 1 - 1	
18	274	28.00	28.00	See Sch <4A-1>		ıll transact			
19	275	34.00	20.00	See Sch <4A-1>	and	the totals	wiii not ic	οοι.	
20	280	86.00	86.00	See Sch <4A-1>					
21	294	62.00	62.00	See Sch <4A-1>					
	294	02.00	02.00	366 3011 (4A-1)					
335	680	115.00	115.00	See Sch <4A-1>					
336	699	44.00	44.00	See Sch <4A-1>					
337	702	64.00	64.00	See Sch <4A-1>					
338	784	35.00	35.00	See Sch <4A-1>					
339	791	100.00	100.00	See Sch <4A-1>					
340 341	805 816	76.00 50.00	76.00 50.00	See Sch <4A-1> See Sch <4A-1>					
342	866	40.00	40.00	See Sch <4A-1>					
343	867	38.00	38.00	See Sch <4A-1>					
344	893	165.00	165.00	See Sch <4A-1>					
345	905	76.00	76.00	(1)					
346	916	5.00		(1)			<u> </u>		
347	966	2.00		(1)					
348	967	64.00		(1)					
349 350	982 983	775.00 64.00		<u>(1)</u> (1)					
	TOTAL	6,007.00	1,470.00	(1)	(1)	VALID SALI	FOR RESAL	E SUPPORTED	
-	TOTAL		<4A-1 page 1>		(1)			ERTIFICATE.	
		ヘオハノ	TATI Paye 17			V V I I I I I I I I I I I I I I I I I I	LI NEOALL O	ERTHIOTIL.	

Copy to Taxpayer Date: ____

January 2000

STATISTICAL SAMPLE EVALUATION

[4B] EXHIBIT 23

STAT SAMPLE EVALUATION

SCHEDULE	4B
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	A	В	С	D	E	F	G	Н
REF				UNITS	DOLLARS	SAMPLE DIFFERENCES	DIFFERENCES SQUARED	
1	POPULATION (N):			1,575	29,828	30.00	900.00	
2	SAMPLE (n):			350	6,007	60.00	3,600.00	
3	DIFFERENCES (d):			10	351	3.00	9.00	
4	SUM OF DIFFERENCES SQUA	RED:		15,355		37.00	1,369.00	
5						24.00	576.00	
6	MEAN:			\$1.00		23.00	529.00	
7						24.00	576.00	
8	STANDARD DEVIATION:			\$6.60		42.00	1,764.00	
9						44.00	1,936.00	
10	STANDARD ERROR:			\$0.31		64.00	4,096.00	
11						351.00	15,355.00	
12	INTERVAL AT 80% CL:			\$0.40				
13	INTERVAL AT 90% CL:			\$0.51				
14	INTERVAL AT 95% CL:			\$0.61				
15								
16	INTERVAL AS % OF MEAN:							
17	AT 80%			39.70%				
18	AT 90%			51.02%				
19	AT 95%			60.80%				
20								
21	AVE. POPULATION UNIT			19				
22								
23	AVE. SAMPLE UNIT			17				
24								
25	PERCENT OF ERROR:			5.8473%				
26								
27								
28								
29								
30								

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SCHEDULE	6
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

[Α	В	С	D	Е	F	G	Н	ı	J	K	L
		<1A>	<1C>	<6A>	(B+C-D)	<414>	(F-E)			<6A>	(l+J)	<1>
										ANALYSIS OF DI	FFERENCI	E
		RECORDED			AUDITED	CLAIMED				DISALLOWED		CONTRA
		LABOR	UNRECORDED	DISALLOWED	LABOR	LABOR				CLAIMED		TOTAL
REF	PERIOD	SALES	LABOR SALES	LABOR SALES	SALES	SALES	DIFFERENCE			LABOR	TOTAL	SALES
1	3Q-98	1,548		588	960	1,548	588			588	588	
2	4Q-98	1,132		449	683	1,132	449			449	449	
3	1Q-99	1,277	500	223	1,554	1,277	-277			205	205	(-500)
4	TOTAL	3,957	500	1,260	3,197	3,957	760			1,242	1,242	(-500)

<414-A2> <CONTRA

LINE 1>

VERIFICATION COMMENTS

TYPE OF TRANSACTION

Labor sales were relatively few in number. Most labor sales involve repairs, yet, a few fabrication labor sales were disclosed. For repairs, customers send the items to either one of the taxpayer's locations and then the repaired items are shipped by the taxpayer back to the customer.

SOURCE OF DATA

Sales Journal and sales invoices for the audit period and other related documentation.

VERIFICATION

Labor sales were examined on an actual basis for the audit period since there were a relatively small number of labor sales. Purchase orders, sales invoices, and job sheets were examined to determine the taxable and non-taxable elements of each job. Disallowed labor sales were scheduled on <6A>.

FINDINGS

- A) Fabrication labor claimed as exempt repair labor.
- B) Repair materials erroneously recorded as repair labor.

Note:

The * referenced above refers to the upload schedule 12 and is to be broken out by separate non-compliance codes.

All exhibits in this chapter were prepared using the audit macro package in Excel. In order to efficiently utilize the district tax pivot table, district tax measure should be scheduled as shown in the example above.

Copy to	Taxpaye
Date:	

QUARTERLY ANALYSIS OF DISALLOWED LABOR SALES

[6A]

EXHIBIT 25
PAGE 1 OF 2

Quarterly Analysis of Disallowed Labor Sales

SCHEDULE	: 6A page 1 of 2	
PERMIT	12-121212	
AUDITOR	J. C. CONLON	
DATE	09/09/1999	

Α	В	С	D	E
		<6A-1>	<6A-1>	<6A-1>
		QUESTIONED LABOR SALES	ADDITIONAL TAXABLE LABOR SALES	ADDITIONAL TRANSIT TAX MEASURE
		Data		
Years	DATE	Sum of AMOUNT QUESTIONED	Sum of AMOUNT TAXABLE	Sum of DISTRICT MEASURE
1998	Qtr1			
	Qtr2			
	Qtr3	588	588	510
	Qtr4	449	449	400
1999	Qtr1	223	223	18
	Qtr2			
	Qtr3			
	Qtr4			
Grand T	otal	1,260	1,260	928
· · · · · · · · · · · · · · · · · · ·		·	<6>	

Copy to Taxpayer Date: ____

January 2000

District Analysis of Labor Sales Disallowances

SCHEDULE	6A
PERMIT	12-121212
AUDITOR	J. C. Conlon
DATE	09/09/1999

		•	T		•	•	
	Α	В	С	D	E	F	G
			<6A-1>	<6A-1>	<6A-1>	<6A-1>	<6A-1>
REF			LACT	LATC	BART	SFPF	SFTA
1			Data				
2	Years	DATE	Sum of LACT	Sum of LATC	Sum of BART	Sum of SFPF	Sum of SFTA
3	1998	Qtr1					
4		Qtr2					
5		Qtr3	484	484	26	26	26
6		Qtr4	395	395	5	5	5
7	1999	Qtr1	18	18			
8		Qtr2					
9		Qtr3					
10		Qtr4					
11	Grand Tot	al	897	897	31	31	31
12			<a8.2></a8.2>		<a8.1></a8.1>		
13							
14							

LABOR SALES DISALLOWED

QUE	STIONED CL	LAIMED LA	ABOR		SCHEDULE: 6A-1										
SAL	ES - AUDIT P	PERIOD			PERMIT: 12-121212 AUDITOR: J.C. Conlon			+							┡
	1				DATE: 09/14/1999			t							H
				_	_			ļ.,			.,				Ę
	A	В	С	D	E	F	G	Н	I	J	K	L	М	N O	Р
REF	DATE	SALES INVOICE NUMBER		STREET	CITY, STATE,ZIP	SHIP TO	PO NUMBER	04	SHITEM	AMOUNT QUESTIONED	AMOUNT TAXABLE	DISTRICT MEASURE	DISTRICT CODE	COMMENT	1164 SENT
1	07/09/1998	12231	JOHNSON CONSTRUCTION	3331 W. Alameda Blvd.	Los Angeles, CA 90058		N/A		Plastic W rapping	410	410	410	LACT, LATC	Weatherized Plastic Wrapping Applied to Customer's Wiring	
2	07/13/1998	13301	M.O. NELSON	4521 W . Industry Way	Los Angeles, CA 92101		N/A		Material	74	74	74		Materials Used in Repairs Claimed as Labor	
3	08/17/1998	13805	C.J. LEER	3413 Rosewood Road	San Francisco, CA 90221		N/A		Material	26	26	26	BART, SFTA, SFPF	Materials Used in Repairs Claimed as Labor	
4	09/20/1998	14420	M.L. LEWIS	23113 E. River Drive	Riverside, CA 92508		N/A		Material	78	78	0	NONE	Materials Only - Classified as Labor	
5	11/16/1998	14920	JOHNSON CONSTRUCTION	3331 W. Alameda Blvd.	Los Angeles, CA 90058		N/A		Plastic W rapping	395	395	395		Weatherized Plastic Wrapping Applied to Customer's Wiring	L
6	12/09/1998	15200	DON BROONE	4544 Industry Road	San Francisco, CA 90221		N/A		Material	5	5	5	BART, SFTA, SFPF	Materials Only - Classified as Labor	L
7	12/27/1998	15620	G.S. PATTON	2310 Plum Street	Riverside, CA 92508		N/A		Material	49	49	0	NONE	Materials Used in Repairs Claimed as Labor	L
8	01/27/1999	16230	W. RODGERS	4542 42nd Lane	Santa Ana, CA 92708		N/A		Plastic W rapping	205	205	0	NONE	Weatherized Plastic Wrapping Applied to Customer's Wiring	L
9	03/12/1999	16802	W. SMITH	3731 Main Street	Los Angeles, CA 90058		N/A		Materials	18	18	18	LACT, LATC	Materials Used in Repairs Claimed as Labor	
										1,260	1,260	928			
											<6A P 1>	<6B>			L
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															_
						Co Da	opy to ate:	Та	xpayer						

SALES TO U.S. GOVERNMENT (414C)

[7] **EXHIBIT 27**

	REPORT OF EXAMINATION OF RECORDS					sch7	DEPART	BOARD OF EC	NESS TAXES
į,	SALES AND USE TAXES NAME OF TAXPAYER			ACCOUNT N	NUMBER		(* BLOCKS	ARE FOR HEADQ	DOC. NUM.
				SR	AC		12-121	212	
	BUSINESS ADDRESS FOR UNREGISTERED ACCTS.			CHE		DATE OF REPO	197 SANS	R.G. YEAR	R.G. CODE
Α	NAME AND TITLE OF REPRESENTATIVE			PERIOD EX			TO:		O.M.A
	IS TAXPAYER'S PERMIT CORRECT? BUS. CODE ACTIVE YES SEE COMMENTS 1	C.O BT	-406 PREPARED		CLASS	AUDITOR			HOURS
	CLASS OF BUSINESS			DISTRICT RE		* DD 0 0 5 0 0 5 D		OF REVIEW	CELL
				* MO./YR. TF	(ANS.	* PROCESSED E	34	SUPERVISOR	
В	PECONDO.		VERIFICA		IF OTLIFE	TUNE			
	RECORDS: D.E. S.E ADEQUATE INTERNAL CONT	ROLS	SEE COMMENTS	LOCATION (IF UTHER	(THAN B.A)			
	REPORTED MEASURE OF STATE TAX THOUSANDS OF \$		MARK UP TESTS	S ON EX TAX				MS VERIFIED	
	REPORTED SALES CONSISTENT WITH		TAXABLE	TAX INCLUI	DED .	CAPITAL A		(INAPPLICABLE	
С	INCOME CASH	FR	ком то	RA	ΓE	SALES		EXPENSE FABRICAT	
	BOOKS TAX RETURNS RECEIPTS				%	CHARGES		LABOR	
	EXPENSES SIZE OF BUSINESS				%	TRADE-IN	s	REPOSSE	SSIONS
L	SALES TAX ACCRUAL ACCOUNT				%	TRANSIT "	ГАХ	SEE COM	MENTS
	CAPITAL ASSET ADDITIONS [CONSU	MABLE SUPPLIES		RE	NTAL EQUIPMEN	П	PERS	ONAL USE
D	ARE REPORTED ITEMS? ACTUAL	CHARGE	ES TO EXPENSES ESTIMATED			VERTISING E COMMENTS		LOCA	L USE TAX
L	ACTOAL ACTOAL		LSTIMATED			E COMMENTS			
	ITEMS CLAIMI	ED NETTED	TRACED INTO REC		SP TES	TED		ERIFICATION	- l
	Sales to U.S. Government X		Audit I	Period		Orde		ment Pur	cnase ———
E									
L									
	DATE FORM BT-523 PREPARED TO CLEAR DELINQUENCIES.			BT-5	02 PREP	ARED?	YES	NO STAIM INVOLV	/ED
	IF LOCAL TAX REALLOCATION IS INVOLVED, IS FORM BT-414-L LIST ALL OTHER BUSINESS TAX PERMITS HELD BY TAXPAYER							COMMENTS	, LLD
F	ON WHICH CONCURRENT AUDITS HAVE BEEN MADE.								
	VERIFY TAX PAYMENTS: (GIVE PERIODS AND AMOUNTS: IF TAX PAYMENT MADE UNDER DIFFERENT PERMIT. INDI								
	COMMENTS REGARDING CIGARETTE TAX INDICIA INSPECTION	l:							

INTERSTATE AND FOREIGN COMMERCE SALES SUMMARY

[8] **EXHIBIT 28**

INTERSTATE AND FOREIGN COMMERCE SALES SUMMARY

SCHEDULE	8
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	Α	В	С	D	E	F	G	Н
		<1A>	<8A>	(B-C)	<414>	(E-D)		
		INTE	RSTATE COMM	ERCE SALE	S			INTERSTATE
REF	PERIOD	RECORDED	DISALLOWED	AUDITED	CLAIMED	DIFFERENCE		SALES DISALLOWED
1	3Q-98	800	495	305	800	495		495
2	4Q-98	3,620	1,420	2,200	3,620	1,420		1,420
3	1Q-99	2,810	835	1,975	2,810	835		835
4	TOTAL	7,230	2,750	4,480	7,230	2,750		2,750
5				•		*		<414-A2>

6 7 8

VERIFICATION COMMENTS

9 10

TYPES OF TRANSACTIONS

The taxpayer makes a relatively small number of sales to customers located out of state. All goods shipped out of state are shipped via common carrier.

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SOURCE OF DATA

Sales journal, sales invoices, and bills of laiding for the audit period. U.S. Customs export declarations. Other related documentation.

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VERIFICATION

Interstate commerce sales were examined on an actual basis for the audit period since the total number of transactions was small in number. Claimed interstate sales were traced to shipping documents. Disallowed interstate commerce sales were scheduled on <8A>.

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FINDINGS

A) Merchandise was shipped via common carrier to a warehouse in San Diego as a collection point for other goods before being shipped out of the country.

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Instructional Note:

Amounts shown in column "C" were transcribed from the detailed supporting schedule 8A (not shown).

Note:

The * referenced above refers to the upload schedule 12 and is to be broken out by separate non-compliance codes.

Copy to	Taxpayer
Date:	

BAD DEBTS SUMMARY

[10] **EXHIBIT 29**

BAD DEBTS SUMMARY

SCHEDULE	10
PERMIT	12-121212
AUDITOR	J.C. CONLON
DATE	09/15/1999

						<u>_</u>						
	Α	В	С	D	E	F	G	Н	ı			
		<g l=""></g>	<10A>	(B-C)	<414>	(E-D)						
			BAD DEB	ΓS			ANA	LYSIS OF DIFFER	ENCE			
								DISALLOWED				
REF	PERIOD	RECORDED	DISALLOWED	AUDITED	CLAIMED	DIFFERENCE		BAD DEBTS				
1	3Q-98											
2	4Q-98											
3	1Q-99	6,311	3,468	2,843	6,311	3,468		3,468				
4	TOTAL	6,311	3,468	2,843	6,311	3,468		3,468				
5						*		<414-A2>				
6												
7		VERIFICAT	ION COMMEN	ITS								
8												
9		TYPES OF	<u>TRANSACTIO</u>	NS								
10		Taxpayer w	rites off bad de	bts on an	actual ba	sis. Amounts	written off a	re claimed on th	е			

11 12 13

SOURCE OF DATA

federal income tax returns.

Accounts receivable ledger, sales invoices, and sales tax return worksheets.

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VERIFICATION AND FINDINGS

Accounts receivable of \$8,406 from ABC Corp., bankrupt, were written off to the allowance for bad debts account on 1-1-99. The claimed amount was traced to the sales tax return worksheet and to the original sales invoices. Exempt labor sales, etc., were erroneously included in the amount claimed. ABC Corp. was located in Newport Beach and merchandise was shipped to ABC's location. When claiming the bad debt deduction the taxpayer adjusted transit tax measure on line A5 of the return; ABC's sales were subject to the OCTA transit tax.

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Instructional Note:

Amounts shown in column "C" were transcribed from the detailed supporting schedule 10A (not shown). Describe disallowed bad debts on BT-414-A as "Excess of Bad Debts Deduction Over Taxable Sales - Quarter Ended 3-31-99".

Note:

The * referenced above refers to the upload schedule 12 and is to be broken out by separate non-compliance codes.

Copy	to	Taxpayeı
Date:		

SALES TO AIRCRAFT COMMON CARRIERS

[18] **EXHIBIT 30**

SALES TO AIRCRAFT COMMON CARRIERS SUMMARY

SCHEDULE	16
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	Е	F	G	ı	J	K
		<s j=""></s>	<16A>	(B-C)	<414>	(E-D)		<16	6A>	
		SA	LES TO COMM	ON CARRIEI	RS			ANALYSIS OF	DIFFERENCE	
								OFFICE AND	NOT	
		RECORDED						EQUIP.	COMMON	
REF	PERIOD	*	DISALLOWED	AUDITED	CLAIMED	DIFFERENCE		SUPPLIES	CARRIER	
1	3Q-98	1,400	839	561	1,400	839		31	640	
2	4Q-98	1,850	1,350	500	1,850	1,350		1,080		
3	1Q-99	1,252	295	957	1,252	295		76	160	
4	TOTAL	4,502	2,484	2,018	4,502	2,484		1,187	800	
5		·		·		<414-A1>		<>		
6								**	**	

7 8

VERIFICATION COMMENTS

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TYPES OF TRANSACTIONS

Taxpayer makes sales of electrical components for aircraft and general operational use.

All sales were made in Los Angeles.

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SOURCE OF DATA

Sales journal, exemption certificates, sales invoices, and purchase orders.

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FINDINGS

Claimed sales to aircraft common carriers were examined on an actual basis for the audit period because the total number of transactions were minimal. Exemption certificates were reviewed to verify the claimed deductions. Auditor noted several claimed exemptions that were not supported by an exemption certificate. Further review of the records and discussion with the taxpayer disclosed that these sales were to firms that were not aircraft common carriers <16A>. In addition, the examination disclosed sales to aircraft common carriers that were not used or consumed directly and exlusively in the carriage of persons or property <16A>.

262728

* Recorded as a memo listing in the sales journal.

29 30

Instructional Note:

Amounts shown in column "C" were transcribed from the detailed supporting schedule 16A (not shown).

Note:

The ** referenced above refers to the upload schedule 12 and is to be broken out by separate non-compliance codes.

Copy to	Taxpayer
Date:	

BART TAXABLE MEASURE SUMMARY

[A8.1] **EXHIBIT 31**

BART TAXABLE MEASURE SUMMARY

SCHEDULE	A8.1
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	A	В	С	D	E	F	G	Н	I	J	K
		<b0e-414></b0e-414>	<1E>	<1C>	<2A>	<2B>	<a8.1a></a8.1a>	<6A>	(BH)	<b0e-401></b0e-401>	(I-J)
			UNREPORTED		WITHDRAWALS	PURCHASES		MATERIALS			
			SALES TO	UNRECORDED	FROM EX-TAX	SUBJECT TO	DISALLOWED	CLAIMED AS			
REF	PERIOD	REPORTED	EMPLOYEES	SALE	INVENTORY	USE-TAX	RESALES	LABOR	AUDITED	REPORTED	DIFFERENCE
1	3Q-98	7,865	77		130	85	117	26	8,300	7,865	435
2	4Q-98	4,292	65		170	240	159	5	4,931	4,292	639
3	1Q-99	2,105	58	400	95	129	141		2,928	2,105	823
4	TOTAL	14,262	200	400	395	454	417	31	16,159	14,262	1,897

5 <414-A1>

VERIFICATION COMMENTS

TYPE OF TRANSACTIONS

The taxpayer has two business locations: Los Angeles and San Francisco. Sales are made in both transit districts and outside of the districts. The taxpayer is not engaged in business in any other transit districts.

VERIFICATION AND FINDINGS

The auditor noted any transactions subject to transit tax in the state tax workpapers. For detail of verification performed, see the referenced state tax schedules.

Disallowed resales subject to BART tax were calculated based on the ratio of disallowed resales subject to transit tax to total resales tested. There were no unusual BART transactions noted in the resale examination. The periods tested were representative of the audit period with regard to the type, number and size of transit district transactions tested.

(1) Recorded as a memo listing in the sales journal.

DISALLOWED RESALES SUBJECT TO BART TAX

[A8.1A] **EXHIBIT 32**

DISALLOWED RESALES SUBJECT TO BART TAX

SCHEDUL	A8.1A
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	E	F	G	Н
		<1A>	<a8.1a-1></a8.1a-1>	(B x C)				
			PERCENTAGE	DISALLOWED				
		RECORDED	OF	SALES FOR				
	PERIOD	RESALES	DISALLOWANCE					
1	3Q-98	8,372	1.40%	117				
2	4Q-98	11,359		159				
3	1Q-99	10,097		141				
4	TOTAL	29,828	:	417	≣.			
5				<a8.1></a8.1>				
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PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO BART TAX

PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO BART TAX

[A8.1A-1]	EXHIBIT 33
-----------	-------------------

SCHEDULE	A8.1A-1
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	E	F	G	Н
		<4A>	<4>	(C / B)				
		TOTAL	BART					
		RESALES	DISALLOWED	PERCENTAGE OF				
REF	PERIOD	TESTED	PER TEST	DISALLOWANCE				

TOTAL <u>6.007</u> 84.00 1.40% <A8.1A>

LACT TAXABLE MEASURE SUMMARY

SCHEDULE	A8.2
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	E	F	G	Н		J	K	L	М
		<b0e-414></b0e-414>	<1E>	<2A>	<2B>	<a8.2a></a8.2a>	<6A1>	< <i>'</i>	16	SUM(BI)	<b0e-414></b0e-414>	(J-K)	
		◆ DIFFERENCES →											
								OFFICE	DISALLOWED				
				WITHDRAWALS	PURCHASES			SUPPLIES TO	COMMON				
			SALES TO	FROM EX-TAX	SUBJECT TO	DISALLOWED	DISALLOWED	COMMON	CARRIER				
REF	PERIOD	REPORTED	EMPLOYEES	INVENTORY	USE-TAX	RESALES	LABOR SALES	CARRIERS	SALES	AUDITED	REPORTED	DIFFERENCE	
1	3Q-98	10,705	248	131	190	148	484	39	800	12,745	10,705	2,040	
2	4Q-98	9,885	95	81	109	201	395	1,350	0	12,116	9,885	2,231	
3	1Q-99	7,248	157	66	749	179	18	95	200	8,712	7,248	1,464	
4	TOTAL	27,838	500	278	1,048	528	897	1,484	1,000	33,573	27,838	5,735	
5												<414-A1>	

VERIFICATION COMMENTS

9 10 11

TYPES OF TRANSACTIONS

Refer to comments on <A8.1>

16

17 18

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VERIFICATION AND FINDINGS

During the audit the auditor noted many transactions subject to district tax. For detail of verification performed see the referenced "State Tax" schedules.

Disallowed resales subject to LACT/LATC tax were calculated based on the ratio of disallowed resales subject to transit tax to total resales tested. There were no unusual LACT/LATC transactions noted in the resales examination. The periods tested were representative of the audit period with regard to the type, size and number of transit district transactions tested.

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January 2000

(1) Recorded as a memo listing in the sales journal.

DISALLOWED RESALES SUBJECT TO LACT TAX

[A8.2A] **EXHIBIT 35**

DISALLOWED RESALES SUBJECT TO LACT TAX

SCHEDULE	A8.2A
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	Е	F	G	Н
ı		<1A>	<a8.2a-1></a8.2a-1>	(B x C)			Г	
		DE00DDE5	PERCENTAGE	DISALLOWED				
REF	PERIOD	RECORDED RESALES	OF DISALLOWANCE	SALES FOR RESALE				
1	3Q-98	8,372	1.77%	148				
2	4Q-98	11,359		201				
3	1Q-99	10,097		179				
4	TOTAL	29,828		528	-			
5				<a8.2></a8.2>				
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PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO LACT TAX

PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO LACT TAX

[A8.2A-1]	EXHIBIT 36

SCHEDULE	A8.2A-1
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	Е	F	G	Н
_		<4A>	<4>	(C / B)				
		TOTAL	LACT/LATC	PERCENTAGE				
		RESALES	DISALLOWED	OF				
REF	PERIOD	TESTED	PER TEST	DISALLOWANCE				

1				
2	TOTAL	6,007	106.35	1.77%
3				<a8.2a></a8.2a>
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INDEX TO AUDIT WORKING PAPERS

[BOE-495] EXHIBIT 37

State of California

Board of Equalization

INDEX TO AUDIT WORKING PAPERS

Auditor _	J. C. Conlon	_	Date	10/01/	1999
Permittee _	ABC Company	Acc	ount Number:	SR AC 12	-121212
SCHEDULE NUMBER	WORKSHEET NAME	TITLE OF SCHEDULE	PAGES FROM -	S TO	(X) If Copy To T.P.
414	414	AUDITOR'S WORKSHEET	1		YES
12	12	TAXABLE MEASURE UNDERSTATED	1	7	
12A	12A	RECORDED SALES	1	·	
12B	12B	MARK-UP ANALYSIS - TAXABLE SALES	1		
12C	12C	TOTAL SALES RECONCILIATION -FITR	1		
12D	12D	UNRECORDED SALES	1		
12E	12E	SALES TO EMPLOYEES	1		
12F	12F	UNREPORTED SALES OF CAPITAL ASSETS	1		
125	121	TRANSFERS FROM EX-TAX INVENTORY			
12G	12G	FOR OWN USE	1	2	
		ADDITIONAL CONSUMABLE SUPPLIES	<u> </u>		
12H	12H	SUBJECT TO USE TAX	1		
		QUESTIONED EX-TAX PURCHASES OF			
12H-1	12H-1	CONSUMABLE SUPPLIES	1		
121	121	SALES FOR RESALE RECONCILIATION	1	2	
		DISALLOWED CLAIMED SALES FOR			
12J	12J	RESALE	1		
	401.4	PERCENTAGE OF DISALLOWANCE -			
12J-1	12J-1	RESALES	1	3	
4014-	12J-1a	QUESTIONED CLAIMED RESALE SALES - STATISTICAL SAMPLE	4		
12J-1a	12J-1d	STATEMENT OF PROPERTY PURCHASED	1		
12J-1a-1	12J-1a-1	WITHOUT TAX (XYZ LETTER)	1		
120 14 1	120 14 1	STATISTICAL SAMPLE EVALUATION -	 -		
12J-2	12J-2	RESALE	1		
12K	12K	DISALLOWED CLAIMED LABOR SALES	1		
12K-1	12K-1	QUESTIONED CLAIMED LABOR SALES	1		
		DISALLOWED CLAIMED LABOR SALES BY			
12K-2	12K-2	TRANSIT TAXES	1		
		DISALLOWED CLAIMED INTERSTATE			
12L	12L	COMMERCE	1		
12M	12M	DISALLOWED CLAIMED BAD DEBTS	1		
		DISALLOWED CLAIMED LOCAL TAX ON		_	
16	16	SALES TO AIR COMMON CARRIERS	1		
40.4	10.1	TAXABLE MEASURE UNDERSTATED -			
A8.1	A8.1	BART DISALLOWED RESALES SUBJECT TO	1		
A8.1A	A8.1A	BART TAX	4		
A0.1A	A0.1A	PERCENTAGE OF DISALLOWANCE OF	1		
A8.1A-1	A8.1A-1	RESALES SUBJECT TO BART TAX	1		
A8.2	A8.2	TAXABLE MEASURE UNDERSTATED - LACT	1		
, 10.2	A0.2	DISALLOWED RESALES SUBJECT TO LACT			
A8.2A	A8.2A	TAX	1		
 -		PERCENTAGE OF DISALLOWANCE OF	<u> </u>		
A8.2A-1	A8.2A-1	RESALES SUBJECT TO LACT TAX	1		
			 .		

TAXABLE MEASURE UNDERSTATED -STCNY

Case Id: Account Nu 12121212 Schedule Ty Juris Code: STCNY

SCHEDULE	12 page 1 of 7
PERMIT	SR AC 12-121212
AUDITOR	J.C. Conlon
DATE	09/09/1999

L	Α Ι	В	С	D	E	F	G	H		J	K	L	M	N
ITEN	CODE	STCNY			1	2	3	4	5	6	7	10	11	12
NC C	ODE	NEW 5.00%			0301	0104	1602	0202	0201	0404	0403	0601	0806	1101
REF		< 414-M >	(B+D)	(EN)	<12D>	<12E>	<12F>	<12G>	<12H>	<121>	<12J>	<12K>	<12L>	<12M>
REF	Period	REPORTED TAXABLE MEASURE	AUDITED TAXABLE MEASURE	TOTAL TAXABLE DIFFERENCE	UNRECORDED TAXABLE SALES	UNREPORTED SALES TO EMPLOYEES	UNREPORTED SALE OF FIXED ASSETS	WITHDRAWALS FROM EX-TAX INVENTORY	PURCHASES SUBJECT TO USE TAX	ERRORS IN CLAIMED SALES FOR RESALE	DISALLOWED CLAIMED RESALES	DISALLOWED CLAIMED LABOR	DISALLOWED CLAIMED INTERTSTATE SALES	DISALLOWED CLAIMED BAD DEBTS
1	3Q-98	47,025	49,459	2,434		325	•	261	275		490	588	495	-
2	4Q-98	43,843	48,773	4,930		160	1,600	251	349	36	665	449	1,420	
3	1Q-99	34,350	41,121	6,771	400	215		161	878		591	223	835	3,468
4	-													
5	Total:	125,218	139,353	14,135	400	700	1,600	673	1,502	36	1,746	1,260	2,750	3,468
6 7				< 414A-1 >										

Copy to Taxpayer Date: _____

	TAXABLE MEASURE JNDERSTATED - LO	CAL	Case Id: Account Numbe Schedule Type: Juris Code:				12 page 2 of 7 SR AC 12-121212 J.C. Conlon 09/09/1999								
	A	В	l c		E	F	G	н		J	K	L	M	N	0
ľ	TEM CODE	LOCAL			1	2	3	4	5	6	7	10	11	12	13
N	NC CODE	NEW 1.00%			0301	0104	1602	0202	0201	0404	0403	0601	0806	1101	1013
F	REF	< 414-M >	(B+D)	(EO)	<12D>	<12E>	<12F>	<12G>	<12H>	<12 >	<12J>	<12K>	<12L>	<12M>	<16>
		REPORTED Taxable	AUDITED Taxable	TOTAL TAXABLE	UNRECORDED TAXABLE	UNREPORTED SALES TO	UNREPORTED SALE OF FIXED	WITHDRAWALS FROM EX-TAX	PURCHASES SUBJECT TO	ERRORS IN CLAIMED SALES FOR	DISALLOWED CLAIMED	DISALLOWED CLAIMED	DISALLOWED CLAIMED	DISALLOWED CLAIMED BAD	DISALLOWED CLAIMED COMMON
R	REF Period	MEASURE	MEASURE	DIFFERENCE	SALES	EMPLOYEES	ASSETS	INVENTORY	USE TAX	RESALE	RESALES	LABOR	INTERSTATE	DEBTS	CARRIER
1	3Q-98	47,025	50,298	3,273		325		261	275		490	588	495		839
2	2 4Q-98	43,843	50,123	6,280		160	1,600	251	349	36	665	449	1,420		1,350
3 4	3 1Q-99 ↓	34,350	41,416	7,066	400	215		161	878		591	223	835	3,468	295
5	Total:	125,218	141,837	16,619	400	700	1,600	673	1,502	36	1,746	1,260	2,750	3,468	2,484

< 414A-1 >

January 2000

6 7

TAXABLE MEASURE Case Id: UNDERSTATED - STADD Account Numbe Schedule Type: STADD Juris Code:

SCHEDULE 12 page 3 of 7 PERMIT SR AC 12-121212 AUDITOR J.C. Conlon DATE 09/09/1999

[Α	В	С	D	E	F	G	Н	I	J	K	L	M	N
ITEM	CODE	STADD			1	2	3	4	5	6	7	10	11	12
NC C	ODE	NEW 1.25%			0301	0104	1602	0202	0201	0404	0403	0601	0806	1101
REF_		< 414-M >	(B+D)	(EN)	<12D>	<12E>	<12F>	<12G>	<12H>	<12l>	<12J>	<12K>	<12L>	<12M>
		REPORTED	AUDITED	TOTAL	UNRECORDED	UNREPORTED	UNREPORTED	WITHDRAWALS	PURCHASES	CLAIMED	DISALLOWED	DISALLOWED	DISALLOWED	DISALLOWED
		TAXABLE	TAXABLE	TAXABLE	TAXABLE	SALES TO	SALE OF FIXED	FROM EX-TAX	SUBJECT TO	SALES FOR	CLAIMED	CLAIMED	CLAIMED	CLAIMED BAD
REF	Period	MEASURE	MEASURE	DIFFERENCE	SALES	EMPLOYEES	ASSETS	INVENTORY	USE TAX	RESALE	RESALES	LABOR	INTERTSTATE	DEBTS
1	3Q-98	47,025	49,459	2,434		325		261	275		490	588	495	
2	4Q-98	43,843	48,773	4,930		160	1,600	251	349	36	665	449	1,420	
3	1Q-99	34,350	41,121	6,771	400	215		161	878		591	223	835	3,468
4	_													
5	Total:	125,218	139,353	14,135	400	700	1,600	673	1,502	36	1,746	1,260	2,750	3,468
6				< 414A-1 >										
7														

January 2000

TAXABLE MEASURE ANALYSIS

EXHIBIT 38 PAGE 4 OF 7

TAXABLE MEASURE ANALYSIS

SCHEDULE	12 page 4 of 7
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

Α	В	С	D	E	F	G	Н

1

VERIFICATION COMMENTS

2 3 4

TYPES OF TRANSACTIONS

5 The taxpayer is a retailer of electrical supplies with two locations: San Francisco and Los Angeles.

6 Most sales are taxable sales to construction contractors. Other sales consist of resales to hardware

7 retailers, interstate commerce sales to out-of-state retailers, sales to the U.S. Government, and a small

number of sales to employees.

8

10 Sales are recorded and reported on the accrual basis. Sales tax reimbursement is added to the

11 selling price of materials sold. In January 1999, the taxpayer changed over from a manual to an

12 automated accounting system.

13

14 SOURCE OF DATA

15 General ledger, general journal, supporting journals, sales tax returns, paid bills, sales invoices,

16 and customer P.O.'s for the audit period. Resale cards, shipping documents, and other related

17 documentation also were available.

18 19

VERIFICATION AND FINDINGS

20 This examination was done on a taxable measure basis. Sales are initially recorded by the

21 taxpayer at the time of sale on numerically sequenced invoices. The invoices were hand posted to a

22 manually prepared sales journal through December 1998. Beginning January 1999 the taxpayer posted

23 sales invoices to a computer generated sales journal. Both the hand and computer generated sales

4 journals segregated sales by the type of sale; taxable, resale, repair sales, U.S. Government, and

25 interstate commerce. Separate sales journals are prepared for each location and are combined when

26 posted to the general ledger.

27 28

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TAXABLE MEASURE ANALYSIS

EXHIBIT 38
PAGE 5 OF 7

TAXABLE MEASURE ANALYSIS

SCHEDULE	12 page 5 of 7
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	C	D	Е	F	G	Н
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R	E	F
	1	
	2	

VERIFICATION COMMENTS - continued

4 5

3

Recorded sales were transcribed from the sales journal on <12A>. Sales invoices were traced
into the sales journal for two complete recording cycles; July 1998 and January 1999. One unrecorded
sale was noted during the changeover to the automated accounting system. See <12D> for detail of
differences and additional comments. No recurring errors were indicated; so no further examination
was done.

11

Sales journal totals were traced to the general ledger for the audit period. No errors were noted.

12 13 14

Recorded amounts agreed with the reported/claimed amounts except for one transposition error in claimed resales on the 4Q-98 return. See <12I> for detail of differences and additional comments.

15 16

A reconciliation of sales tax accrued and reported disclosed no differences.

17 18

- Total sales were reconciled with the federal income tax returns filed during the audit period on <12C>.
- 20 No material differences were disclosed and no unreported sales were indicated.

21

A mark-up analysis on taxable sales was done on <12B>. No unreported taxable sales were indicated.

24

The taxpayer failed to report sales of resale inventory to employees. These sales were transcribed from the cash receipts journal for the audit period. See <12E> for detail of differences and additional

27 comments.

28

- 29 The auditor examined the fixed asset accounts for the audit period. One unreported sale of a forklift was
- 30 disclosed. See <12F> for detail of differences and additional comments.

Copy to	Taxpayer
Date:	

EXHIBIT 38 PAGE 6 OF 7

TAXABLE MEASURE ANALYSIS

SCHEDULE	12 page 6 of 7
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

Α	В	С	D	Е	F	G	Н
	1						

REF 1

VERIFICATION COMMENTS - continued

2 3 4

USE TAX

- The auditor examined paid bills for the audit period and scheduled all ex-tax supply purchases.
- 6 See <12H> for detail of differences and additional comments.

7

- 8 The taxpayer self-consumed some of the ex-tax inventory. Self consumed amounts were transcribed
 - from the general ledger for the audit period. See <12G> for detail of differences and additional comments.

9 10 11

No ex-tax fixed asset purchases occurred during the audit period.

12 13

RESALES

- 14 The auditor used a statistical sample on sales for resale. Resales were traced to resale cards on
- 15 file and questioned items were scheduled. See <12J> for detail of differences and additional comments.
- 16 Questioned items were further investigated by tracing them to purchase orders or by sending out XYZ
- 17 letters. A percentage of disallowance for resales was calculated and applied to total recorded resales.
- No additional errors in recorded resales were indicated.

19

20 LABOR

- Labor sales were relatively few in number, so the auditor examined them on an actual basis.
- 22 Disallowed labor sales consisted of fabrication labor claimed as repair and total repair invoices
- 23 including materials and tax reimbursement, claimed as repair labor. See <12K> for detail of differences
- and additional comments. No other errors in claimed labor sales were indicated.

25 26

INTERSTATE COMMERCE

- 27 Interstate commerce sales were few in number and were examined on an actual basis. Three
- 28 foreign commerce sales made to the same customer were disallowed since they were delivered
- in California. See <12L> for detail of differences and additional comments.

30

Copy	to	Taxpayer
Date:		

TAXABLE MEASURE ANALYSIS

EXHIBIT 38
PAGE 7 OF 7

TAXABLE MEASURE ANALYSIS

SCHEDULE	12 page 7 of 7
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	Е	F	G	Н
ı				1		Γ	Γ	
REF								

_

2 VERIFICATION COMMENTS - continued

3

4 BAD DEBTS

5

6 The taxpayer claimed one bad debt during the audit period. The auditor traced the amount claimed

7 to the accounts receivable subsidiary journal and to the actual invoices written off. See <12M> for detail

8 of differences and additional comments.

9

10 U.S.GOVERNMENT

11

12 The auditor examined sales to the U.S. Government on an actual basis for the audit period. No

13 errors were disclosed.

14

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RECORDED SALES

[12A] **EXHIBIT 39**

RECORDED SALES

SCHEDULE	12A
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	A	В	С	D	Е	F	G	Н
		<	(SENERAL	EDGER	>	(B+C+D+E+F)	
		TAXABLE <ex< td=""><td></td><td>U.S.</td><td>_</td><td></td><td></td><td></td></ex<>		U.S.	_			
REF	PERIOD	TAX>	RESALE	GOV'T	INTERSTATE	LABOR	TOTAL	
1	JUL	13,007	3,133	350	140	695		
2	AUG	18,003	2,076	180	620	478		
3	SEP	16,015	3,163	420	40	375		
4	3Q-98	47,025	8,372	950	800	1,548	58,695	
5								
6	OCT	19,273	2,486	389	900	710		
7	NOV	16,236	2,874	576	1,140	208		
8	DEC	8,334	5,999	435	1,580	214		
9	4Q-98	43,843	11,359	1,400	3,620	1,132	61,354	
10								
11	JAN	9,209	2,157	675	1,865	452		
12	FEB	11,765	3,868	200	420	617		
13	MAR	13,376	4,072	545	525	208		
14	1Q-99	34,350	10,097	1,420	2,810	1,277	49,954	
15	TOTAL	125,218	29,828	3,770	7,230	3,957	170,003	
16	•	<12B>	<12B>	<12B>	<12B>			
17			<12l>					
18			<12J>					
19			<a8.1a></a8.1a>					
20			<a8.2a></a8.2a>					
21			ZAVIEA/					

22

23 24

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Instructional Note:

In general, figures and other data from taxpayer's records should not be transcribed to the audit working papers without good reason. However, for illustration purposes, a summary schedule of recorded sales has been prepared for this sample audit.

MARKUP ANALYSIS [12B] EXHIBIT 40

MARK-UP ANALYSIS - TAXABLE SALES

SCHEDULE	12B
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α		•		-	-	•	
	A	В	С	D	E	F	G	Н
							07/01/1998	
							TO	
REF							03/31/1999	
1								
2	<12A>	TAXABLE	SALES <ex< th=""><th>-TAX></th><th></th><th></th><th>125,218</th><th></th></ex<>	-TAX>			125,218	
4	(*)	COSTOF	SALES			112,932		
5	()	0001 01	ONLLO			112,302		
6		LESS: CO	ST OF SALE	ES @ 10% MA	RK-UP			
7	<12A>	RESALES		29,828				
8	<12A>	U.S.GOV'T		3,770				
9	<12A>	INTERSTA	TE	7,230	ī			
10 11				40,828	x .909090	37,116		
12	(Line 4-10)	COSTOE	TAYADIE Q	A I E Q			75.816	
13	(Lille 4-10)	003101	IAAADLL 3	ALLS		•	73,010	
14	(Line 2-12)	GROSS PE	ROFIT				49,402	•
15	(Line 14/12)	MARK-UP					65.16%	
16								
17		(*)		SINVENTORY	0			
18			TOTAL PUF					
19			3Q-98					
20			4Q-98		440.005			
21 22			LESS:	34,008	118,265			
				INVENTORY	5 222			
23 24			LINDING	INVLNIONI	-0,000			
25			COST OF S	SALES	112,932	1		
26 27					<line 4=""></line>			
28		COMMEN	ΓS					
29				nanager indicat	ed that sal	es for resale, sa	les to U.S. Gov't.,	
30				-		ess mark-up tha		
31				-		sales was 10%.		
32						se sales has bee		
33 34			•	at a computatio	n could be	made of the ma	rk-up on taxable	
34 35		sales as ab	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,					
00								

TOTAL SALES RECONCILIATION

[12C] EXHIBIT 41

TOTAL SALES
RECONCILIATION -FITR

SCHEDULE	12C
PERMIT	SR AC 12-121212
AUDITOR	J.C. Conlon
DATE	09/09/1999

T/1/97		Α	В	С	D	E
1 GROSS RECEIPTS 120,050 840,350 882,368 2 BEGINNING INVENTORY 4,300 30,100 3 PURCHASES 82,998 580,986 610,035 4 COST OF LABOR 500,986 610,035 5 OTHER COSTS 4,300 30,100 31,605 6 ENDING INVENTORY 4,300 30,100 31,605 7 COST OF GOODS SOLD (L2+L3+L4+L5-L6) 78,698 555,186 608,530 8 GROSS PROFIT (L1-L7) 41,352 285,164 273,838 9 OTHER INCOME 1,600 1	REF			to	1998	1999
2 BEGINNING INVENTORY 4,300 30,100 3 PURCHASES 82,998 580,986 610,035 4 COST OF LABOR 4,300 30,100 31,605 5 OTHER COSTS 4,300 30,100 31,605 6 ENDING INVENTORY 4,300 30,100 31,605 7 COST OF GOODS SOLD (L2+L3+L4+L5-L6) 78,698 555,186 608,530 8 GROSS PROFIT (L1-L7) 41,352 285,164 273,838 9 OTHER INCOME 1.600 1.600 10 TOTAL INCOME (L8+L9) 42,952 285,164 273,838 11 DEDUCTIONS: 12,000 60,000 63,000 13 SALARIES AND WAGES 15,000 75,000 78,750 14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS 1,000 1,050 17 TAXES AND LICENSES 300 315 18 INTEREST 1,000 3,000 31,500 10 DEPLETION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 3 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050					840,350	882,368
3 PURCHASES	2			-,		
4 COST OF LABOR 5 OTHER COSTS 6 ENDING INVENTORY 7 COST OF GOODS SOLD (L2+L3+L4+L5-L6) 78.698 555.186 608.530 8 GROSS PROFIT (L1-L7) 41,352 285,164 273,838 9 OTHER INCOME 1.600 10 TOTAL INCOME (L8+L9) 42,952 285,164 273,838 11 DEDUCTIONS: 12 COMPENSATION TO OFFICERS 12,000 60,000 63,000 13 SALARIES AND WAGES 15,000 75,000 78,750 14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS 1,000 1,050 17 TAXES AND LICENSES 11,000 31,500 1,050 19 CHARITABLE CONTRIBUTIONS 300 315 10 DEPRECIATION 7,500 30,000 31,500 10 DEPRECIATION 7,500 30,000 31,500 11 DEPLETION 7,500 30,000 31,500 12 ADVERTISING 3,450 3,623 13 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 14 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 15 OTHER DEDUCTIONS (L12:L25) 35,012 215,803 226,593 17 NET INCOME (L10-L26) 7,940 69,361 47,245 18 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 18 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 18 GROSS RECEIPTS EX-TAX GROSS RECEIPTS EX-TA	3			82.998		
6 ENDING INVENTORY 4,300 30,100 31,605 7 COST OF GOODS SOLD (L2+L3+L4+L5-L6) 78,698 555,186 608,530 8 GROSS PROFIT (L1-L7) 41,352 285,164 273,838 9 OTHER INCOME 1,600 1 10 TOTAL INCOME (L8+L9) 42,952 285,164 273,838 11 DEDUCTIONS: 1 2000 60,000 63,000 63,000 13 SALARIES AND WAGES 15,000 75,000 78,750 14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS 1,000 1,050 17 TAXES AND LICENSES 1,000 1,050 18 INTEREST 1,000 3,000 31,500 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING				,	,	,
7 COST OF GOODS SOLD (L2+L3+L4+L5-L6) 78.698 555,186 608,530 8 GROSS PROFIT (L1-L7) 41,352 285,164 273,838 9 OTHER INCOME 1,600	5	OTHER COSTS				
7 COST OF GOODS SOLD (L2+L3+L4+L5-L6) 78.698 555,186 608.530 8 GROSS PROFIT (L1-L7) 41,352 285,164 273,838 9 OTHER INCOME 1.600	6			4,300	30,100	31,605
8 GROSS PROFIT (L1-L7) 41,352 285,164 273,838 9 OTHER INCOME 1,600		COST OF GOODS SOLD	(L2+L3+L4+L5-L6)			
9 OTHER INCOME (L8+L9) 42.952 285.164 273.838 10 TOTAL INCOME (L8+L9) 42.952 285.164 273.838 11 DEDUCTIONS: 3000 60,000 63,000 12 COMPENSATION TO OFFICERS 12,000 60,000 63,000 13 SALARIES AND WAGES 15,000 75,000 78,750 14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS 1,000 1,050 17 TAXES AND LICENSES 1 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 30,000 31,500 19 CHARITABLE CONTRIBUTIONS 7,500 30,000 31,500 10 DEPLETION 15,505 16,280 20 DEPLETION 3,450 3,623 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24	8		` , .			
10 TOTAL INCOME (L8+L9) 42.952 285.164 273.838 11 DEDUCTIONS: 12.000 60,000 63,000 12 COMPENSATION TO OFFICERS 12,000 60,000 63,000 13 SALARIES AND WAGES 15,000 75,000 78,750 14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS 1,000 1,050 16 RENTS 1,000 1,050 17 TAXES AND LICENSES 300 315 18 INTEREST 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 300 31,500 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 </td <td></td> <td></td> <td>,</td> <td></td> <td>,</td> <td>,</td>			,		,	,
11 DEDUCTIONS: 12 COMPENSATION TO OFFICERS 12,000 60,000 63,000 13 SALARIES AND WAGES 15,000 75,000 78,750 14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS 1 1,000 1,050 17 TAXES AND LICENSES 1 1,000 1,050 18 INTEREST 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 30,000 31,500 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 25 OTHER DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 </td <td></td> <td></td> <td>(L8+L9)</td> <td></td> <td>285,164</td> <td>273,838</td>			(L8+L9)		285,164	273,838
13 SALARIES AND WAGES 15,000 75,000 78,750 14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS 25,000 26,250 17 TAXES AND LICENSES 1,000 1,050 18 INTEREST 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 300 31,500 19 CHARITABLE CONTRIBUTIONS 7,500 30,000 31,500 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS <	11	DEDUCTIONS:	, ,			
13 SALARIES AND WAGES 15,000 75,000 78,750 14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS 25,000 26,250 17 TAXES AND LICENSES 1,000 1,050 18 INTEREST 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 300 31,500 19 CHARITABLE CONTRIBUTIONS 7,500 30,000 31,500 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS <	12	COMPENSATION TO OFFICERS	3	12,000	60,000	63,000
14 REPAIRS AND MAINTENANCE 1,500 1,575 15 BAD DEBTS 25,000 26,250 16 RENTS TAXES AND LICENSES 18 INTEREST 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 300 315 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS 20,049 840,351 882,367 30 REPORTED TO BOE (414-M) 120,049 8	13					
15 BAD DEBTS 25,000 26,250 16 RENTS 17 TAXES AND LICENSES 18 INTEREST 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 300 315 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1 120,050 840,350 882,368 SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	14	REPAIRS AND MAINTENANCE		,		
16 RENTS 17 TAXES AND LICENSES 18 INTEREST 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 300 315 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR SALES TAX INCLUDED IN (L1) 120,050 840,350 882,368 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS EX-TAX GROSS RECEIPTS 2414-M 120,049 840,351 882,367	15	BAD DEBTS				
18 INTEREST 1,000 1,050 19 CHARITABLE CONTRIBUTIONS 300 315 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35.012 215.803 226.593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 28 GROSS RECEIPTS EX-TAX GROSS RECEIPTS EX-TAX GROSS RECEIPTS 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367		RENTS			,	,
19 CHARITABLE CONTRIBUTIONS 300 315 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 28 GROSS RECEIPTS EX-TAX GROSS RECEIPTS 82,368 82,368 29 FITR GROSS RECEIPTS 82,367 882,367	17	TAXES AND LICENSES				
19 CHARITABLE CONTRIBUTIONS 300 315 20 DEPRECIATION 7,500 30,000 31,500 21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS 840,351 882,367 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	18	INTEREST			1,000	1,050
21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35.012 215.803 226.593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS EX-TAX GROSS RECEIPTS 414-M 120,049 840,351 882,367	19	CHARITABLE CONTRIBUTIONS			300	
21 DEPLETION 15,505 16,280 22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35.012 215.803 226.593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS EX-TAX GROSS RECEIPTS 414-M 120,049 840,351 882,367	20	DEPRECIATION		7,500	30,000	31,500
22 ADVERTISING 3,450 3,623 23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	21	DEPLETION				
23 PENSION, PROFIT-SHARING, EXT. 1,000 1,050 24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	22	ADVERTISING				
24 EMPLOYEE BENEFIT PROGRAMS 1,000 1,050 25 OTHER DEDUCTIONS 512 2,048 2,150 26 TOTAL DEDUCTIONS (L12:L25) 35.012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR (L1) 120,050 840,350 882,368 SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	23	PENSION, PROFIT-SHARING, E	XT.			
25 OTHER DEDUCTIONS 512 2.048 2.150 26 TOTAL DEDUCTIONS (L12:L25) 35.012 215.803 226.593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR SALES TAX INCLUDED IN (L1) 120,050 840,350 882,368 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	24					
26 TOTAL DEDUCTIONS (L12:L25) 35,012 215,803 226,593 27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR SALES TAX INCLUDED IN (L1) 120,050 840,350 882,368 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS EX-TAX GROSS RECEIPTS 840,351 882,367 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	25	OTHER DEDUCTIONS		512		
27 NET INCOME (L10-L26) 7,940 69,361 47,245 28 GROSS RECEIPTS PER FITR SALES TAX INCLUDED IN (L1) 120,050 840,350 882,368 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	26	TOTAL DEDUCTIONS	(L12:L25)	35,012	215,803	
SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367	27		,			
SALES TAX INCLUDED IN 29 FITR GROSS RECEIPTS EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367			, , , , , ,			
EX-TAX GROSS RECEIPTS 30 REPORTED TO BOE (414-M) 120,049 840,351 882,367		SALES TAX INCLUDED IN	(L1)	120,050	840,350	882,368
30 REPORTED TO BOE (414-M) 120,049 840,351 882,367						
,	30		(414-M)	120,049	840,35 <u></u> 1	882,367
	31		, ,			

UNRECORDED SALES

[12D] EXHIBIT 42

UNRECORDED SALES

SCHEDULE	12D
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

						DATE	03/10/13	<i>7</i> .5.1	
	Α	В	С	D	Е	F	G	Н	
		•			•				
REF	INVOICE DATE	INVOICE NUMBER	CHET	OMER		DESCRIPTION			
1	INVOICE DATE	INUMBER	0031	OWLK	ı	DESCRIPTIO	ZIV	AMOUNT	
2	01/07/1999	2727	Peter Gabi	اما	Renairs an	d additions to intero	office		
3	01/01/1000	2121			-		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
4		1007 Sledgehammer Blcommunication system San Francisco						900	
5									
6		COMMENT	ſS						
7				xpayer conv	erted from r	manual to machine	posting.		
8		•							
9		-	Obvious posting and recording errors were made during the changeover. Journal entries were prepared to adjust for the errors; however, an invoice						
10		which had	which had not been recorded was overlooked. In view of the nature of the						
11		error and th	ne quality of	internal con	trol present	, the error was cons	sidered		
12		to be non-r	ecurring.						
13									
14									
15									
16									
17									
18				IN'	VOICE BRE	AKDOWN	-		
19									
20				MATERIAL			<a8.1>, <12></a8.1>		
21				LABOR		500	='		
22				SUBTOTAL	,	900			
23				TAX ON MA		34	- "		
24				TOTAL (L2	2+L23)	934	=		
25									
26									
27									
28									
29									
30									

SALES TO EMPLOYEES

[12E] EXHIBIT 43

SALES TO EMPLOYEES

SCHEDULE	12E
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

						_		
	Α	В	С	D	E (C - D)	F	G	Н
					(C+D)]
	250102	55555405	LOS	SAN				
REF	PERIOD	REFERENCE	ANGELES	FRANCISCO	TOTAL			
1	JUL	CR-6	90	26	116			
2	AUG	CR-12	78	20	98			
3	SEP	CR-19	80	31	111			
4	3Q-98		248	77	325			
5								
6	OCT	CR-25	50	25	75			
7	NOV	CR-34	20	28	48			
8	DEC	CR-39	25	12	37			
9	4Q-98		95	65	160			
10								
11	JAN	CR-42	55	15	70			
12	FEB	CR-46	71	30	101			
13	MAR	CR-51	31	13	44			
14	1Q-99		157	58	215			
15	TOTALS	:	500	200	700			
16			<a8.2></a8.2>	<a8.1></a8.1>	<12>			
17								
18								

19 20

21

22

23

24

25

26

COMMENTS

The company has a policy of selling goods to employees out of resale inventory. Resale cards were issued for merchandise sold to employees, but, no misuse of resale certificate was indicated since the goods were intended to be resold when purchased. All employee sales are made for cash and are segregated between the two locations in the cash receipts journal.

27 28

29

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UNREPORTED SALES OF CAPITAL ASSETS

[12F] EXHIBIT 44

UNREPORTED SALES OF CAPITAL ASSETS

SCHEDULE	12F
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	A	В	С	D	Е	F	G	Н
1		IOHDMAI	1	l	I			
		JOURNAL ENTRY						
REF	DATE	REFERENCE					Dr.	Cr.
1	11/09/98	J 11-6	Account re	ceivable - J	ack Reynolo	ds	1,600	
2			Reserve fo	r Depreciat	ion		1,565	
3			Automotive	equipment				2,684
4			Gain on sa	le of capital	asset			481
5								
6			"To record	sale of fork	lift to			
7			Jack Reyn	olds				
8								
9			Taxable an	nount			=	1,600
10								<12>
11								
12		COMMENTS	_					
13		The above sale w						
14		The forklift was us	sed in the ta	xpayer's wa	arehouse an	d delivered to th	е	
15		customer in Mojav	ve via comm	on carrier.				
16								
17								
18								
19								
20								
21								
22								
23								
24								
25								
26								
27								
28								
29								
30								

[12G] EXHIBIT 45

TRANSFERS FROM EX-TAX INVENTORY FOR OWN USE

SCHEDULE	12G
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	C D E		Е	F	G	Н	
								(F+G)	
REF	DATE	REFERENCE	DESC	DESCRIPTION		LOS Angeles	SAN FRANCISCO	TOTAL	
1	07/31/1998	J 7-19	MISC. ELECTI	RICAL SUP	PLIES	70	38	108	
2	08/31/1998	J 8-17		SAME		40	52	92	
3	09/30/1998	J 9-23		SAME		21	40	61	
4	3Q-98					131	130	261	
5									
6	10/31/1998	J 10-17		SAME				54	
7	11/30/1998	J 11-20		SAME		15	14	29	
8	12/31/1998	J 12-28		SAME		50	118	168	
9	4Q-98					81	170	251	
10									
11	01/31/1999	J 1-14		SAME			32	32	
12	02/28/1999	J 2-18		SAME		52	29	81	
13	03/31/1999	J 3-25		SAME		14	34	48	
14	1Q-99					66	95	161	
15	TOTAL						395	673	
16						<a8.2></a8.2>	<a8.1></a8.1>	<12>	
17									

QUARTERLY ANALYSIS OF CONSUMABLE SUPPLIES

[12H] EXHIBIT 46 Page 1 of 2

ADDITIONAL CONSUMABLE SUPPLIES SUBJECT TO USE TAX - AUDIT PERIOD

SCHEDULE	12H PAGE 1 OF 2
PERMIT	SR AC 12-121212
AUDITOR	J.C. CONLON
DATE	09/09/1999

Α	В	С	D	E
		<12H-1>	<12H-1>	<12H-1>
		QUESTIONED SUPPLY PURCHASES	ADDITIONAL TAXABLE SUPPLY PURCHASES	ADDITIONAL TRANSIT TAX MEASURE
		Data		
Years	DATE	Sum of AMOUNT QUESTIONED	Sum of AMOUNT TAXABLE	Sum of DISTRICT MEASURE
1998	Qtr1 Qtr2		0.7	
	Qtr3	293		
	Qtr4	371	34	
1999	Qtr1 Qtr2 Qtr3 Qtr4	878	87	8 878
Grand T	otal	1,542	1,50	2 1,502

REF

 <12>

QUARTERLY ANALYSIS OF CONSUMABLE SUPPLIES

EXHIBIT 46
PAGE 2 OF 2

ADDITIONAL CONSUMABLE SUPPLIES SUBJECT TO USE TAX FOR AUDIT PERIOD BY TRANSIT TAX

SCHEDULE	12H PAGE 2 OF 2
PERMIT	SR AC 12-121212
AUDITOR	J.C. CONLON
DATE	09/09/1999

А В С			D	E	F	G
	_		_	<12H-1>		,
		LACT	LATC	BART	SFPF	SFTA
		Data				
Years	DATE	Sum of LACT	Sum of LATC	Sum of BART	Sum of SFPF	Sum of SFTA
1998	Qtr1					
	Qtr2					
	Qtr3	19	0 190	85	85	5 85
	Qtr4	10	9 109	240	240	240
1999	Qtr1	74	9 749	129	129	129
	Qtr2					
	Qtr3					
	Qtr4					
Grand T	otal	1,04	8 1,048	3 454	454	454
		<a8.2< td=""><td>></td><td><a8.1></a8.1></td><td>•</td><td></td></a8.2<>	>	<a8.1></a8.1>	•	

Note:

Only LACT & BART are scheduled for illustration purposes.

EX-TAX PURCHASES

읶

	STIONED EX-1				SCHEDULE	1	12H-1		₩.	\perp							\perp
CON	ISUMABLE SU	PPLIES - AL	IDIT		PERMIT	1	SR AC 12-		1	\perp							\perp
PER	IOD				AUDITOR		J. C. Conlo	1		\perp							
					DATE		09/08/99										
						<u> </u>											_
	A	В	С	D	E	F	G	Н	ш	J	K K	L	M	N	0	P	Q
REF	DATE	INVOICE NUMBER	VENDOR	STREET	CITY, STATE,ZIP	SHIP FROM		PO NUMBER	PO STATUS	PC ISSIIED	ITEM	AMOUNT QUESTIONE D	AMOUNT TAXABLE	DISTRICT MEASURE	DISTRICT CODE	COMMENT	ABCSENT
	07/13/1998	42270	AAA CORP	1000 Meyer Lane	El Monte, CA 91731	C 4	Torrance	6121		V	Business Cards	190	190	100	LACT, LATC	No misuse of resale card indicated. Taxpayer purchases other items for	
	07/13/1996	42379	BOWER	1000 Meyer Lane	ETMONIE, CA 91731	UA	Torrance	0131	⊢	+	Business Cards	190	190	190	LACT, LATE	Taxpayer purchases other items for	+
	07/25/1998	46604	MANUFACTURING	100 Mayer Street	El Monte, CA 91731	СА	Torrance				Business Cards	18	0	0	LACT, LATC	No Resale Card provided	
							San								BART,SFTA,		
	09/03/1998	1727	B & R INC.	3225 N. Century Plaza	Phoenix, AZ 85012	ΑZ	Francisco		L		Brochures	85	85	85	SFPF	Item Expensed for own use	┸
					Redondo Beach, CA											No misuse of resale card indicated.	
<u> </u>	11/17/1998	27234	CAL PRINTING	706 Peck Road	90278	CA	Torrance	6868	┖	Υ	Forms	109	109	109	LACT, LATC	Taxpayer purchases other items for	\bot
					Redondo Beach, CA		San								BART,SFTA,	No misuse of resale card indicated.	
	12/08/1998	27328	CAL PRINTING	706 Peck Road	90278	CA	Francisco	6900	┡	Υ	Forms	140	140	140	SFPF	Taxpayer purchases other items for	_
					Redondo Beach, CA											No misuse of resale card indicated.	
ì	12/10/1998	27491	CAL PRINTING	706 Peck Road	90278	CA	Torrance	6933	┡	Υ	Forms	22	0	0	LACT, LATC	Taxpayer purchases other items for	
							San								BART,SFTA,	No tax reported by vendor per ABC	
7	12/14/1998	274222201	DELUXE STATIONARY	BOX 99031	Milwaukee, WI 53288	WI			<u> </u>	+	Folders	100	100	100	SFPF	letter	<u>Y</u>
							San								BART,SFTA,	No tax reported by vendor per ABC	
3	01/07/1999	279505001	DELUXE STATIONARY	BOX 99031	Milwaukee, WI 53288	WI	Francisco		⊢	+	Folders	129	129	129	SFPF	letter	<u>Y</u>
	04/04/4000		DELUVE OTATIONADY	DOV 20004			-				0: 1					No tax reported by vendor per ABC	.,
)	01/24/1999	298276701	DELUXE STATIONARY	BOX 99031	Milwaukee, WI 53288	WI	Torrance		⊢	+	Binders	200	200	200	LACT, LATC	letter	<u> </u>
	04/05/4000	4007	MARSHALL	0000 Mali A	0		T	0000			FORMO	450	450	450		No misuse of resale card indicated.	
10	01/25/1999	1997	INDUSTRIES WYLE COMPUTER	3000 Malt Ave.	Commerce, CA 90040	U.A	Torrance	0808	⊢	+	FORMS	150	150	150	LACT, LATC	Taxpayer purchases other items for	+
11	02/20/1999	4200	COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	١.,	T	0000			Computer & Office Supplies	160	160	400	LACT, LATC	Item Expensed for own use	
	02/20/1999		WYLE COMPUTER	25 IIIIIIUIS BIVU.	Schaumburg, IL 60194	IL	Torrance	0399	H	+	Computer & Office	160	160	160	LACT, LATE	item Expensed for own use	+
12	02/28/1999		COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	l,,	Torranco	6476			Supplies	130	130	120	LACT, LATC	Item Expensed for own use	
14	02/20/1999	1430	WYLE COMPUTER	23 IIIIII0is Divu.	Schaumburg, IL 00134	II.	TUITAILLE	10470	Н	†	Computer & Office	130	130	130	LACT, LATE	Itelli Expelised for Owli use	+
13	03/30/1999	1678	COMPANY	25 Illinois Blvd.	Schaumburg, IL 60194	. In	Torrance	6571			Supplies	109	109	100	LACT, LATC	Item Expensed for own use	
	00/00/1000	1010	O MI /III I	20 minoto biva.	Condambary, 12 00104		Torrance	0071			Сиррно	100	100	100	ENOT, ENTO	Item Expensed for own doc	
_		I	l	I	1	l	1	I	1	I		_					+
	COMME	NTS:										1,542	1,502	1,502			
	Purchase	e invoic	es for the audit	t period were	examined. Ite	m	s sched	uled were	c	ha	arged to						T
	expense	accoun	ts. The taxpay	er was allowed	d adequate tin	ne	to obta	in respon	se	s 1	to "ABC		<12H pg 1>	<12H pg 2>			\perp
Ī			was assessed														
<u> </u>			se was assessed (101	registe	ica widi t	110	L							\perp
	when no	respon	se was received	to all ADC I	E11E1												
1	i		1	I.	1		1	1	i	1	1						

Instructional Note:

In the event a taxpayer asserts that the use tax on a questioned purchase was remitted to the Board by the vendor either on his or her tax return or audit determination a ABC letter should be sent. To assist the taxpayer in satisfying their use tax obligation, the Board has developed the Form BOE-503 (hereafter called the "ABC" Letter) procedure.

Note: 2

Schedules should be printed on legal size (8.5 x 14) or to conform to 0302.08. All exhibits in this chapter were prepared using the audit macro package in Excel. In order to efficiently utilize the district tax pivot table, district tax measure should be scheduled as shown in the example above.

Date:	

SALES FOR RESALE RECONCILIATION

[12I] EXHIBIT 48

SALES FOR RESALE RECONCILIATION

SCHEDULE	121
PERMIT	12-121212
AUDITOR	J. C. CONLON
DATE	09/14/1999

	A	В	С	D	Е	F	G	Н
· ·			-					
						ANALYSIS	OF DIFFEREN	CE
		RECORDED	CLAIMED				ERRORS IN PREPARING	
	PERIOD	RESALES	RESALES	DIFFERENCE			RETURNS	
REF		<12A>	<414>	(C - B)				
1	3Q-98	8,372	8,372	0			0	
2	4Q-98	11,359	11,395	36			36	
3	1Q-99	10,097	10,097	0			0	
4	TOTAL	29,828	29,864	36			36	1
5							<12>	
6								
7								
8								
9								
10								
11								
12								
13								
14								
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Copy to Taxpayer Date: _____

29 30

DISALLOWED SALES FOR RESALE

[12J] EXHIBIT 49 Page 1 of 2

DISALLOWED CLAIMED SALES FOR RESALE

SCHEDULE	12J page 1 of 2
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	Α	В	С	D	Е	F	G	Н	ı	J
		<12A>	<12J-1>	(B x C)	(B - D)	<414>	(F - E)		ANALYSIS OF	DIFFERENCES
			PERCENTAGE							ERRORS IN
		RECORDED	OF	DISALLOWED	AUDITED	CLAIMED			DISALLOWE	PREPARING
REF	PERIOD	RESALES	DISALLOWANCE	RESALES	RESALES	RESALES	DIFFERENCE		D RESALES	RETURNS
1	3Q-98	8,372	5.85%	490	7,882	8,372	490		490	0
2	4Q-98	11,359		665	10,694	11,395	701		665	36
3	1Q-99	10,097	_ ▼	591	9,506	10,097	591		591	0
4	TOTAL	29,828	<u>-</u>	1,746	28,082	29,864	1,782		1,746	36
5									<12>	

COMMENTS

A stat sample was made of sales for resale. The sample size was calculated based on the results of the block sample used in the prior audit <12J-2a> (not shown). The sample was selected using the Boards P.C. random sample program.

Sample invoices, amounts and questioned transactions are scheduled on <12J-1a>.

Resales were traced to resale cards maintained by the taxpayer. The taxpayer was able to establish that most of the questioned transactions were valid sales for resale. A percentage of disallowance (5.85%) was calculated on <12J-1>.

A portion of the disallowed resales were the result of a transposition error by the taxpayer when preparing the 4Q-98 return.

DISALLOWED SALES FOR RESALE

EXHIBIT 49
PAGE 2 OF 2

DISALLOWED SALES FOR RESALES - BY DISTRICT

SCHEDULE	12J page 2 of 2
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

Α	B	C	D	E	<u> </u>	G	H
		LACT	LATC	BART	SFTA	SFPF	NO TRANSIT
		Data					
Years	DATE	Sum of LACT	Sum of LATC	Sum of BART	Sum of SFPF	Sum of SFTA	Sum of NONE
1998	Qtr1 Qtr2 Qtr3 Qtr4	33 29					
1999	Qtr1 Qtr2 Qtr3 Qtr4	44	44				124
Grand To	otal	106	106	84	84	. 84	161
		<a8.2></a8.2>		<a8.1></a8.1>			

Note:

Only LACT & BART are scheduled for illustration purposes.

PERCENTAGE OF DISALLOWANCE

[12J-1] EXHIBIT 50

PERCENTAGE OF DISALLOWANCE - SALES FOR RESALE

SCHEDULE	12J-1
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	Α	В	B C D		E	F	G	Н
		<12J-1a page 4>	<12J-1a>	(C / B)				
				PERCENTAGE				
		RESALES	DISALLOWED	OF				
:	PERIOD	TESTED	RESALES	DISALLOWANCE				

		RESALES	DISALLOWED	OF		
REF	PERIOD	TESTED	RESALES	DISALLOWANCE		
1						
2	TOTAL	6,007	351.00	5.85%		
3		<a8.1a-1></a8.1a-1>		<12J>		
4		<a8.2a-1></a8.2a-1>				
5						
6						
7						
8						
9 10						
11						
12						
13						
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15						
16						
17						
18						
19						
20 21						
22						
23						
24						
25						
26						
27						
28						
29						
30						

QUESTIONED CLAIMED RESALE SALES -

В

SALES

INVOICE

C

NUMBER CUSTOMER NAME

TURNER'S TOOL

OVERLAKE PRESS

MESSENGER

TOOLING, INC

GREEN

GREEN

VEGA

VEGA

VEGA HOLLYWOOD &

VEGA

VEGA

VEGA

COLOR SERVICE

CORPORATION

CORPORATION

HOLLYWOOD &

HOLLYWOOD &

HOLLYWOOD &

HOLLYWOOD &

HOLLYWOOD &

LITTLE GUY INC.

HOLLYWOOD &

BIG BUSINESS INC. Drive

YOUSEFFIA

FASHIONS

VEGA

RALPH & COMPANY Highway

D

STREET

22323 Washington

3434 Arrow Highway Santa Ana, CA 92708

3433 Rosewood Road Compton, CA 90221

Е

San Francisco, CA

North Hollywood, CA

F

CITY, STATE, ZIP SHIP TO PO NUMBER

G

C0012345

STATISTICAL SAMPLE

DATE

1 08/09/1998 195

2 09/11/1998 239

3 09/18/1998 242

4 11/21/1998 243

5 12/27/1998 245

6 12/01/1998 257

7 12/05/1998 270

8 12/24/1998 280

9 01/05/1999 294

10 01/08/1999 350

11 01/12/1999 362

12 01/15/1999 372

13 01/19/1999 386

14 01/25/1999 412

02/02/1999 425

36 02/05/1999 680

37 02/22/1999 699

SALES FOR RESALE TEST STAT SAMPLE

0 P

XYZ SENT 1164 SENT

COMMENT

Resale card located

XYZ states taxable

No response to XYZ

		itoriii rrony wood, on										- 1 1		
	3433 Hollywood Blvd	91606		CAL-130547		Transparency	3	3	3	LACT, LATC	No response to XYZ	Υ		
	3434 Long Arrow													
Υ	Highway	Mojave, CA 93503				Brass Hardware	37	37	37	NONE	XYZ states taxable	Υ		
	2345 West Bridgeport													
	Road	Los Angeles, CA 90026		ABC123014		Silver Foam Covers	46	0	0	NONE	XYZ states resale	Υ		
	2345 West Bridgeport													
	Road	Los Angeles, CA 90026		ABC123612		Hangers	28	0	0	NONE	XYZ states resale	Υ		
	4544 W. Industry Way	San Diego, CA 92101		REF4551002	NT	Solvents	86	0	0	NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4551125	NT	Light Bulbs	62	0	0	NONE	Resale card located		Υ	
												П		1
	4544 W. Industry Way	San Diego, CA 92101		REF4551300	NT	Polishing Cream	20	0	0	NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4551456	NT	Miracle Wax	29	0	0	NONE	Resale card located		Υ	
														1
	4544 W. Industry Way	San Diego, CA 92101		REF4562011	NT	Paint Remover	84	0	0	NONE	Resale card located		Υ	
	4544 W. Industry Way	San Diego, CA 92101		REF4563007		Gloves	21	0	0	NONE	Resale card located		Υ	
	5678 Fashion Center	0 an 2 logo (0 ll 0 2 l 0 l				0.0100		·	Ů		Trocaro dara rocaroa	\Box	1	1
		New York, NY 67890	New York			Paint Remover	22	0	0	NONE	Supported by Bill of Lading			
									·			\Box		1
	4544 42nd Lane	Santa Ana, CA 92708		Y97987		Hangers	12	0	0	NONE	XYZ states resale	lγ		
	10111211424110	ounta may on ozroo						· ·	Ů		7.12 5.4.155 1554.15	TŤ		1
												\Box		١.
	4544 W. Industry Way	San Diego, CA 92101		REF4563578	ΝT	Polishing Wheels	115	0	n	NONE	Resale card located		γ	1
	4545 West Industry				1,1	. c.c.iiig ii iioolo	110		,			\top	\top	1
	Drive	Los Angeles, CA 90021		123789456		Business Cards	44	44	44	LACT. LATC	XYZ states taxable	lγ		-
÷	15		-	•		2 22000 0 4140	- 11	, ,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		,=J 1 , E/1 1 U	pr. = states taxasis			٠,

SCHEDULE

PERMIT

Н

PO STATUS

AUDITOR DATE

ITEM

Envelopes

Cards

Signs

Holiday Greeting

12J-1a

SR AC 12-1212

J.C. CONLON

AMOUNT

QUESTIONED

60

K

AMOUNT

TAXABLE MEASURE

60

DISTRICT

М

DISTRICT

CODE

ONONE

60 SFPF

30 LACT, LATC

BART, SFTA,

09/09/1999

Copy to Taxpayer Date:

Ехнівіт **51**

SCHEDULE PERMIT

SR AC 12-121212

Copy to Taxpayer Date: _____

should be scheduled as shown in the example above.

using the audit macro package in Excel. In order to efficiently utilize the district tax pivot table, district tax measure

QUESTIONED CLAIMED RESALE SALES -

STATISTICAL SAMPLE

SALES FOR RESALE TEST STATISTICAL SAMPLE

SCHEDULE	12J -1a page 3 of 3
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	A	В	С	D	E	F	G	Н
	Sample							
	Invoice	Invoice	Amount					
REF	Number	Amount	Questioned	Comments				
1	101	26.00		(1)				
2	109	46.00		(1)				
3	177	100.00		(1)				
4	179	75.00		(1)				
5	195	82.00	82.00	See page 1				
6	199	26.00		(1)				
7	200	44.00		(1)				
8	218	85.00		(1)				
9	222	12.00		(1)				
10	234	6.00		(1)				
11	236	69.00		(1)				
12	239	30.00	30.00	See page 1				
13	239	60.00		See page 1				
	242	3.00	3.00	See page 1				
14								
15	245	37.00	37.00	See page 1				
16	257	46.00	46.00	See page 1				
17	270	11.00		(1)				
18	274	28.00	28.00	See page 1				
19	275	34.00		(1)				
20	280	86.00	86.00	See page 1				
21	294	62.00	62.00	See page 1	Note:			
	‡			-	NOLE.			
335	680	115.00	115.00	See page 1	Not all tra	insactions are	schedule	ed and
336	699	44.00	44.00		the totals	will not foot.		
337	702	64.00	64.00	See page 1				
338	784	35.00	35.00	See page 1				
339	791	100.00	100.00	See page 1				
340	805	76.00	76.00	See page 1				
341	816	50.00	50.00	See page 1				
342	866	40.00	40.00	See page 1				
343	867	38.00	38.00	See page 1				
344	893	165.00	165.00	See page 1				
345	905	76.00	100.00	(1)				
346	916	5.00		(1)				
347	966	2.00		(1)				
348	967	64.00		(1)				
349	982	775.00		(1)				
350	983	64.00		(1)				
	TOTAL	6,007.00	1,470.00		(1)	VALID SALE FOR RE		
		<12J-1>		Copy to Taxpaye	r	WITH TIMELY RESAI	LE CERTIFICA	TE.
		<a8.1></a8.1>		Date:				
		<a8.2></a8.2>						

AUDIT WORKING PAPERS

STATEMENT CONCERNING PROPERTY PURCHASED WITHOUT TAX (XYZ LETTER)

BOE 504-CUS (1-97)

8/12/1999

STATEMENT CONCERNING PROPERTY PURCHASED WITHOUT PAYMENT OF CALIFORNIA SALES TAX

[12J-1A-1] EXHIBIT 52

DMA

STATE OF CALIFORNIA BOARD OF EQUALIZATION

AC

	ME OF SELLER F		RCHASED ITEMS WIT	HOUT SALES TAX	SELLER'S PERMIT NO. SR AC 12-121212
	DATE	INVOICE NUMBER	PURCHASE ORDER NUMBER	AMOUNT	DESCRIPTION
08	9/11/1998	239	C0012345	30	HOLIDAY GREETING CARDS
Plea	ase check th	e appropriate b	oxes below. If n	one of these ap	pply, please explain below.
_	<u> </u>				
	not used fo		other than reter		resold in the form of tangible personal property. It was ration, or display while being held for sale in the
_	The above		···	سمان ما امد حاد د	and the barrance in contains. It has not been used for
				•	esently in resale inventory. It has not been used for play while being held for sale in the regular course of
		property was p with our sales to		asing and tax	measured by rental receipts has been paid directly to
	provisions				ited States Government. In accordance with the title U.S. Government took title to the property prior to any
	☐ tax in t period	he amount of _	wa 	s paid directly	d not for resale, and to the Board with our sales tax return for the reporting
	□ tax in t	he amount of _	wa	s added to the	billing and remitted to the Seller.
	★ the pure t	rchase is a taxa	able transaction	and tax is app	plicable.
OMN	MENTS				
NATI	URE OF BUSINESS	:			
L	_ighting F	ixture Retaile:	(
PUR	CHASER'S SALES	TAX PERMIT NUMBER		PURCHASER'S	
	SR AB 11. NATURE	-121212		TITLE	S.T. Vega
0.2	S.7. Vega				Owner
DATI			PHONE	1	CITY

Torrance

(310) 555-4545

STATISTICAL SAMPLE EVALUATION

[12J-2] EXHIBIT 53

STAT SAMPLE EVALUATION - SALES FOR RESALE

SCHEDULE	12J-2
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	A	В	С	D	E	F	G	Н
				UNITS	DOLLARS	SAMPLE DIFFERENCES	DIFFERENCES SQUARED	
REF								
1	POPULATION (N):			1,575	29,828	30.00	900.00	
2	SAMPLE (n):			350	6,007	60.00	3,600.00	
3	DIFFERENCES (d):			10	351	3.00	9.00	
4	SUM OF DIFFERENCES SQUA	RED:		15,355		37.00	1,369.00	
5						24.00	576.00	
6	MEAN:			\$1.00		23.00	529.00	
7						24.00	576.00	
8	STANDARD DEVIATION:			\$6.60		42.00	1,764.00	
9						44.00	1,936.00	
10	STANDARD ERROR:			\$0.31		64.00	4,096.00	
11					:	351.00	15,355.00	
12	INTERVAL AT 80% CL:			\$0.40				
13	INTERVAL AT 90% CL:			\$0.51				
14	INTERVAL AT 95% CL:			\$0.61				
15								
16	INTERVAL AS % OF MEAN:							
17	AT 80%			39.70%				
18	AT 90%			51.02%				
19	AT 95%			60.80%				
20								
21	AVE. POPULATION UNIT			19				
22								
23	AVE. SAMPLE UNIT			17				
24								
25	PERCENT OF ERROR:			5.8473%				
26								
27								
28								
29								
30								

QUARTERLY SUMMARY OF LABOR SALES DISALLOWED

[12K] **EXHIBIT 54**

DISALLOWED CLAIMED LABOR SALES AUDIT PERIOD

SCHEDULE 12K PERMIT SRAC12-121212 AUDITOR J. C. CONLON DATE 09/09/1999

	Α	В	С	D	E	F	G	Н
			<12K-1> <	<12K-1>	<12K-1>			
REF			QUESTIONED LABOR SALES	ADDITIONAL TAXABLE LABOR SALES	ADDITIONAL TRANSIT TAX MEASURE			
1			Data					
2	Years	DATE	Sum of AMOUNT QUESTIONED	Sum of AMOUNT TAXABLE	Sum of DISTRICT MEASURE			
3	1998	Qtr1						
4		Qtr2						
5		Qtr3	588	588	510			
6		Qtr4	449	449	400			
7	1999	Qtr1	223	223	18			
8		Qtr2						
9		Qtr3						
10		Qtr4						
11	Grand To	otal	1,260	1,260	928			

<12>

Copy to Taxpayer Date: _____

January 2000

LABOR SALES DISALLOWED

		TIONED CLAI		R	SCHEDULE PERMIT	12K-1 12-121212										\prod	_
ľ	ALES	S - AUDIT PER	מטו		AUDITOR	J.C. Conlon										+	-
					DATE	09/14/1999										\forall	
					DATE	03/14/1333										Ħ	
		Α	В	С	D	E	F	G	Н	l	J	К	L	М	N	О	f
										•							
	EF	DATE	SALES INVOICE NUMBER	CUSTOMED NAME	STREET	CITY, STATE,ZIP	CUID TO	PO NUMBER	PO STATUS	ITEM	AMOUNT QUESTIONE D	AMOUNT TAXABLE	DISTRICT MEASURE	DISTRICT	COMMENT	XYZ SENT	TO VOY
ľ	EF	DATE	NUMBER	CUSTOMER NAME	SIREEI	CITY. STATE.ZIP	SHIP TO	PO NUMBER	۵	IIEM	U	IAXABLE	MEASURE	CODE	Weatherized Plastic Wrapping	×	Š
-		07/09/1998	12231	JOHNSON CONSTRUCTION	3331 W. Alameda Blvd.	Los Angeles, CA 90058		N/A		Plastic Wrapping	410	410	410	LACT, LATC	Applied to Customer's Wiring Materials Used in Repairs	\perp	_
		07/13/1998	13301	M.O. NELSON	4521 W. Industry Way	Los Angeles, CA 92101		N/A		Material	74	74	74	LACT, LATC	Claimed as Labor		
Ī						3								BART, SFTA,	Materials Used in Repairs	П	•
		08/17/1998	13805	C.J. LEER	3413 Rosewood Road	San Francisco, CA 902	21	N/A		Material	26	26	26	SFPF	Claimed as Labor	Ш	
															Materials Only - Classified as		
Ė	_	09/20/1998	14420	M.L. LEWIS	23113 E. River Drive	Riverside, CA 92508		N/A		Material	78	78	0	NONE	Labor	+	
		11/16/1998	4.4000	IOUNCON CONCEDUCTION	2224 W. Alamada Divid	L		N/A		Diagtic Wyonning	395	395	205	LACT, LATC	Weatherized Plastic Wrapping Applied to Customer's Wiring		
1		11/16/1998	14920	JOHNSON CONSTRUCTION	3331 W. Alameda Bivo.	LOS Angeles, CA 90058		N/A		Plastic Wrapping	395	395	395	BART, SFTA,	Materials Only - Classified as	+	
1		12/09/1998	15200	DON BROONE	4544 Industry Road	San Francisco, CA 902	21	N/A		Material	5	5	5	SFPF	Labor Materials Used in Repairs	\perp	_
		12/27/1998	15620	G.S. PATTON	2310 Plum Street	Riverside, CA 92508		N/A		Material	49	49	0	NONE	Claimed as Labor		
Ī		12/21/1000	10020	0.0	2010 Flam Ottoot	1111010100 071 02000		11,71		material					Weatherized Plastic Wrapping	\Box	
		01/27/1999	16230	W.RODGERS	4542 42nd Lane	Santa Ana, CA 92708		N/A		Plastic Wrapping	205	205	0	NONE	Applied to Customer's Wiring		
										• •					Materials Used in Repairs		
9		03/12/1999	16802	W.SMITH	3731 Main Street	Los Angeles, CA 90058		N/A		Materials	18	18	18	LACT, LATC	Claimed as Labor	Ш	_
ŀ																+	
										TOTAL:	1,260	1,260	928				
=												,				П	
-												<12K>	<12K-2>	•		\forall	
-																П	
-																Ш	
			NT /	•	'									,			
-	+		Note	2:												\forall	
			Soh	edules should	he printed	on local size	, (O E	77 14) o		to conform t	~ 020	2 00	Λ11 ox	hibita			
İ																Ħ	•
			in th	nis chapter wer	e prepared	using the a	udit n	nacro pa	ιcl	kage in Excel	l. In o	rder t	o effic	ciently			
			utili	ze the district	tax pivot tal	ble, district	tax m	neasure	sł	ould be sch	eduled	l as sl	nown	in the			
ļ				mple above.	F 00 ta											\sqcup	-
			CXd	inpie above.													
-																Ħ	
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]	Conv to	o Taxpaye									
ŀ								о тахрауст	_							+	
							Date		-								
L				•												_	

QUARTERLY DISTRICT ANALYSIS OF LABOR SALES DISALLOWED

DISALLOWED CLAIMED LABOR SALES BY TRANSIT TAXES

[12K-2]	EXHIBIT 56
SCHEDULE	12K-2
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/14/1999

	Α	В	С	D	E	F	G
					<12K-1>		
REF			LACT	LATC	BART	SFPF	SFTA
1			Data				
2	Years	DATE	Sum of LACT	Sum of LATC	Sum of BART	Sum of SFPF	Sum of SFTA
3	1998	Qtr1					
4		Qtr2					
5		Qtr3	484	484	26	26	26
6		Qtr4	395	395	5	5	5
7	1999	Qtr1	18	18			
8		Qtr2					
9		Qtr3					
10		Qtr4					
11	Grand Tot	al	897	897	31	31	31
12			<a8.2></a8.2>		<a8.1></a8.1>		

SCHEDULE	12L
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	E	F	G	Н		J	K	L	M	N
DEE	INVOICE	INVOICE	OHO	TOMED	CHETOM			TAXABLE			0011	MENTO		
REF	DATE	NUMBER		TOMER	•	ER ADDRESS		AMOUNT				MENTS		
1	7/15/1998	378	Wayne Cl	heing	Tokyo, Jap	an		495	Merchandi	se shipped	to San Dieg	go warehous	se via Comi	mon Carrier.
2	10/2/1998	1315	Same		Same			1,420	Same					
3	2/8/1999	2417	Same		Same			835	Same					
4	TOTAL							2,750) =					
5								<12>	-					
6														

Comments

9

10

16

Disallowed interstate commerce sales were shipped to a San Diego warehouse as a collection point for other goods and were stored there until being shipped out of the country.

Note:

Not engaged in business in San Diego.

DISALLOWED CLAIMED BAD DEBTS AUDIT PERIOD

SCHEDULE	12M
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

ſ	Α	В	С	D	E	F	G	Н	ı	J	К	L	M
		_								-		_	(J+K)
								TOTAL			SALES TAX		
	INVOICE	INVOICE						WRITTEN		REPAIR	REIM-		DISALLOWED
REF	DATE	NUMBER	CUST	OMER	CUS	STOMER AD	DRESS	OFF	MATERIALS	LABOR	BURSEMENT		BAD DEBTS
1	07/06/1998	236	ABC Corp	oration	121 Harbo	r Blvd., Newp	ort Beach	405	185	206	14		220
2	07/24/1998	402	SAME		SAME			191	70	116	5		121
3	08/06/1998	632	SAME		SAME			624	295	306	23		329
4	08/15/1998	805	SAME		SAME			1,099	475	587	37		624
5	08/17/1998	845	SAME		SAME			792	365	399	28		427
6	09/24/1998	1376	SAME		SAME			328	149	167	12	_	179
7	3Q-98							3,439	1,539	1,781	119	_	1,900
8													
9	10/13/1998	1522	ABC Corp	oration	121 Harbo	r Blvd., Newp	ort Beach	667	297	347	23		370
10	10/31/1998	1777	SAME		SAME			741	342	372	27		399
11	11/18/1998	1896	SAME		SAME			558	255	283	20		303
12	12/24/1998	2598	SAME		SAME			534	240	275	19		294
13	12/31/1998	2707	SAME		SAME			372	170	189	13	_	202
14	4Q-98							2,872	1,304	1,466	102		1,568
15	TOTAL							6,311	2,843	3,247	221		3,468
16													<12>

17 18

19

20

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22

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Comments

The taxpayer wrote-off all uncollectible receivables from ABC Corporation on 1/1/99. The entire receivables from ABC were erroneously claimed on the 1/99 return. Receivables from repair labor and sales tax reimbursement were disallowed since tax was never reported on these amounts.

Not engaged in business in Orange County.

Copy to Taxpayer Date: _____

24 25

January 2000

SALES TO AIRCRAFT COMMON CARRIERS

[18] **EXHIBIT 59**

DISALLOWED CLAIMED LOCAL TAX ON SALES TO AIRCRAFT COMMON CARRIERS

SCHEDULE	16
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	E	F	
		<\$/J>	<16A>	(B-C)	<414>	(E-D)	
				SALES TO CO	MMON CARRIERS		
REF	PERIOD	RECORDED *	DISALLOWED	AUDITED	CLAIMED	DIFFERENCE	
1	3Q-98	1,400	839	561	1,400	839	
2	4Q-98	1,850	1,350	500	1,850	1,350	
3	1Q-99	1,252	295	957	1,252	295	
4	TOTAL	4,502	2,484	2,018	4,502	2,484	
5		_	_		_	<12>	

<12> <A8.2>

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VERIFICATION COMMENTS

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VERIFICATION

Claimed sales to aircraft common carriers were examined on an actual basis for the audit period. Verification was made from the sales invoices and purchase orders. All sales were made in Los Angeles.

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FINDINGS

- A) Sales to aircraft common carriers but not used or consumed directly and exclusively in the carriage of persons or property.
- B) Sales to firms that are not aircraft common carriers.

212223

* Recorded as a memo listing in the sales journal.

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Instructional Note:

Amounts shown in column "C" were transcribed from the detailed supporting schedule 16A (not shown).

AUDIT WORKING PAPERS

BART TAXABLE MEASURE ANALYSIS

[A8.1] **EXHIBIT 60**

	BART					PERMIT AUDITOR	J.C. Conlon		
Α	В	С	D	E	F	G	Н	I	J
ODE	BART			1	2	4	5	8	10
DE	1			0301	0104	0202	0201	0403	0601
	< 414-M >	(B+D)	(EJ)	<12D>	<12E>	<12G>	<12H>	<a8.1a></a8.1a>	<12K-2>
	REPORTED	AUDITED	TOTAL	UNRECORDED	UNREPORTED	WITHDRAWALS	PURCHASES	DISALLOWED	DISALLOWED
	TAXABLE	TAXABLE	TAXABLE	TAXABLE	SALES TO	FROM EX-TAX	SUBJECT TO	CLAIMED	CLAIMED
Period	MEASURE	MEASURE	DIFFERENCE	SALES	EMPLOYEES	INVENTORY	USE TAX	RESALES	LABOR
3Q-98	7,865	8,300	435		77	130	85	117	26
4Q-98	4,292	4,931	639		65	170	240	159	5
1Q-99	2,105	2,928	823	400	58	95	129	141	
_									
Total:	14,262	16,159	1,897	400	200	395	454	417	31
			·						
	A CODE Period 3Q-98 4Q-98 1Q-99	A B CODE BART DE 1 < 414-M > REPORTED TAXABLE Period MEASURE 3Q-98 7,865 4Q-98 4,292 1Q-99 2,105	RSTATED - BART	RSTATED - BART Account Numbe Schedule Type: Juris Code: BART A B C D CODE BART DE 1 < 414-M > (B+D) (EJ) REPORTED TAXABLE TAXABLE TAXABLE MEASURE MEASURE DIFFERENCE 3Q-98 7,865 4Q-98 4,292 4,931 639 1Q-99 2,105 2,928 823 Total: 14,262 16,159 1,897	A B C D E CODE	A B C D E F CODE	A CCOUNT NUMBE Schedule Type: Juris Code: BART A B C D E F G CODE BART 1 2 4 DE 1 0301 0104 0202 < 414-M > (B+D) (EJ) <12D > <12E > <12G > REPORTED TAXABLE TAXABLE TAXABLE TAXABLE DIFFERENCE SALES EMPLOYEES INVENTORY 3Q-98 7,865 8,300 435 77 130 4Q-98 4,292 4,931 639 65 170 1Q-99 2,105 2,928 823 400 58 95	RSTATED - BART	A CCOUNT Number Schedule Type: T Juris Code: BART Schedule Type: DATE Schedule Type: T Juris Code: BART Schedule Type: DATE Schedule Type: T Juris Code: BART Schedule Type: T Juris Code: T Juris Code: BART Schedule Type: T Juris Code: BART Sche

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DISALLOWED RESALES SUBJECT TO BART TAX

[A8.1A] **EXHIBIT 61**

DISALLOWED RESALES SUBJECT TO BART TAX

SCHEDULE	A8.1A
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	E	F	G	Н
		<12A>	<a8.1a-1></a8.1a-1>	(B x C)				
			PERCENTAGE	DISALOWED				
REF	PERIOD	RECORDED RESALES	OF DISALLOWANCE	SALES FOR RESALE				
1	3Q-98	8,372		117				
2	3Q-96 4Q-98	11,359	I	159				
3	1Q-99	10,097		141				
3 4	TOTAL	29,828		417				
5	TOTAL	29,020	:	<a8.1></a8.1>				
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PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO BART TAX

PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO BART TAX

[A8.1A-1]	EXHIBIT 62
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SCHEDULE	A8.1A-1
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	Е	F	G	Н
		<12J-4>	<12J-2>	(C / B)				
			BART	PERCENTAGE				
		TOTAL RESALES	DISALLOWED	OF				
:	PERIOD	TESTED	PER TEST	DISALLOWANCE				

1				
2	TOTAL	6,007	84.30	1.40%
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AUDIT MANUAL

LACT TAXABLE MEASURE ANALYSIS

[A8.2] EXHIBIT 63

	LE MEASU! STATED -		Case Id: Account Numbe Schedule Type: Juris Code:			SCHEDULE PERMIT AUDITOR DATE	A8.2 12-121212 J.C. Conlon 09/18/1999			
	Α	В	С	D	E	F	G	Н	I	J
ITEM C	ODE.	LACT			2	4	5	9	10	13
NC CO	DE.	5			0104	0202	0201	0403	0601	1013
REF		< 414-M >	(B+D)	(EJ)	<12E>	<12G>	<12H>	<a8.2a></a8.2a>	<12K-2>	<16>
		REPORTED	AUDITED	TOTAL	UNREPORTED	WITHDRAWALS	PURCHASES	DISALLOWED	DISALLOWED	DISALLOWED
								01.41455	A1 4 114 E B	COMMON
		TAXABLE	TAXABLE	TAXABLE	SALES TO	FROM EX-TAX	SUBJECT TO	CLAIMED	CLAIMED	COMMON
REF	Period	TAXABLE MEASURE	TAXABLE MEASURE	TAXABLE DIFFERENCE		FROM EX-TAX INVENTORY	USE TAX	RESALES	LABOR	CARRIER
REF 1	Period 3Q-98					-		-	-	
REF 1 2		MEASURE	MEASURE	DIFFERENCE	EMPLOYEES	INVENTORY	USE TAX	RESALES	LABOR	CARRIER
1	3Q-98	MEASURE 10,705	MEASURE 12,745	DIFFERENCE 2,040	EMPLOYEES 248	INVENTORY 131	USE TAX 190	RESALES 148	LABOR 484	CARRIER 839
1 2	3Q-98 4Q-98	MEASURE 10,705 9,885	MEASURE 12,745 12,116	2,040 2,231	EMPLOYEES 248 95	131 81	190 109	RESALES 148 201	LABOR 484 395	839 1,350
1 2 3	3Q-98 4Q-98	MEASURE 10,705 9,885	MEASURE 12,745 12,116	2,040 2,231 1,464	EMPLOYEES 248 95	131 81	190 109	RESALES 148 201	LABOR 484 395	839 1,350

DISALLOWED RESALES SUBJECT TO LACT TAX

[A8.2A] EXHIBIT 64

DISALLOWED RESALES SUBJECT TO LACT TAX

SCHEDULE	A8.2A
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	E	F	G	Н
		<12A>	<a8.2a-1></a8.2a-1>	(B x C)				
			PERCENTAGE	DISALLOWED				
		RECORDED	OF	SALES FOR				
REF	PERIOD	RESALES	DISALLOWANCE	RESALE				
1	3Q-98	8,372		148				
2	4Q-98	11,359		201				
3	1Q-99	10,097		179				
4	TOTAL	29,828	:	528				
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PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO LACT TAX

PERCENTAGE OF DISALLOWANCE OF RESALES SUBJECT TO LACT TAX

[A8.2A-1]	EXHIBIT 65
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SCHEDULE	A8.2A-1
PERMIT	12-121212
AUDITOR	J.C. Conlon
DATE	09/18/1999

	Α	В	С	D	E	F	G	Н
		<12A>	<12J-2>	(C / B)				
			LACT/LATC	PERCENTAGE				
		RECORDED	DISALLOWED	OF				
:	PERIOD	RESALES	PER TEST	DISALLOWANCE				

REF	PERIOD	RESALES	PER TEST	DISALLOW ANCE		
1						
2	TOTAL	6,007	106.35	1.77%		
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